

37 C.F.R. § 1.291 PROTEST

Serial No.: 09/253,014

Exhibit B

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014



UNITED STATES DEPARTMENT OF COMMERCE
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**BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES**

Paper No. 30

Application Number: 08/427,820
Filing Date: 4/26/1995
Appellant(s): Thomas G. Woolston

Thomas G. Woolston, Reg. No. 40,235
For Appellant

EXAMINER'S ANSWER

This is in response to appellant's brief on appeal filed 3/12/1999. Appellant's brief immediately opens with comments on patentability that will be addressed in the appropriate section below.

(1) *Real Party in Interest*

A statement identifying the real party in interest is contained in the brief.

(2) *Related Appeals and Interferences*

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The brief does not contain a statement identifying the related appeals and interferences which will directly affect or be directly affected by or have a bearing on the decision in the pending appeal is contained in the brief. Therefore, it is presumed that there are none. The Board, however, may exercise its discretion to require an explicit statement as to the existence of any related appeals and interferences.

(3) *Status of Claims*

The statement of the status of the claims contained in the brief is correct.

(4) *Status of Amendments After Final*

The appellant's statement of the status of amendments after final rejection contained in the brief is correct. Appellant's additional comments beyond the mere status of the amendments will be addressed in the appropriate section below.

(5) *Summary of Invention*

The summary of invention contained in the brief is correct.

(6) *Issues*

The appellant's statement of the issues in the brief is substantially correct. The changes are as follows: Issue 1 - the rejection of claims 6-15 and 21-28 under 35 USC 103(a) as being unpatentable over Lindsey et al. '383 in view of Lalonde;

Issue 2 - the rejection of claims 16 and 18-20 under 35 USC 103(a) as being unpatentable over Fujisaki in view of Lindsey et al. '383.

Issue 3 - the rejection of claim 17 under 35 USC 103(a) as being unpatentable over Fujisaki in view of Lindsey et al. '383 and Barstow et al.

Issue 4 - the rejection of claims 16-20 under 35 USC 112, second paragraph.

(7) Grouping of Claims

Appellant's brief includes a statement that claims 6-28 do not stand or fall together and provides reasons as set forth in 37 CFR 1.192(c)(7) and (c)(8).

(8) Claims Appealed

The copy of the appealed claims 6-20 and 22-28 contained in the Appendix to the brief is correct.

A substantially correct copy of appealed claim 21 appears on page 4 of the Appendix to the appellant's brief. The minor error is as follows: On the last line of claim 21 in the appendix, it is missing the limitation --to denote the new ownership of said used or collectible good for sale-- after "sale".

(9) Prior Art of Record

The following is a listing of the prior art of record relied upon in the rejection of claims under appeal.

5,285,383	Lindsey et al.	2-1994
5,283,731	Lalonde et al.	2-1994
4,789,928	Fujisaki	12-1988

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5,526,479 Barstow et al. 6-1996
(10) *Grounds of Rejection*

The following ground(s) of rejection are applicable to the appealed claims:

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claims 6-15 and 21-28 are rejected under 35 U.S.C. 103(a) as being unpatentable over Lindsey et al. '383 in view of Lalonde et al.

Lindsey et al. teach a trading system that creates a computerized market for commodities. In the system of Lindsey, a unique electronic title for an item is created and information on that item is posted on a central computer. Buyer terminals are used to access the information at the central computer and purchase selected items. Lindsey teaches the use of electronic funds transfer in processing purchases. Lindsey further teaches transferring title of the item from the seller to the purchaser, keeping a record of the transaction and that the item can be traded multiple times inside the trading system. Lindsey also teaches printing of title data. See the abstract, figs. 1-3g, col. 1 lines 10-13, the summary of the invention, col. 3 lines 40-44, col. 6 lines 47-68, col. 22 line 22 to col. 24 line 32, col. 27 lines 35-42 of Lindsey.

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While the preferred embodiment of Lindsey is directed to cotton bales, Lindsey does teach other commodities or goods can be sold with this system. Although Lindsey does not specifically teach that the other goods are necessarily "used or collectable" goods, Lalonde et al. teach a computer-based system for posting goods for sale for electronic review by buyers where the system can be applied to "any field in which conventional classified ads are useful", which inherently includes used and collectable goods. . As the system of Lindsey provides security against fraud in the marketing of goods and as the goods posted within the system of Lalonde would have obviously benefited from the same protection, it would have been obvious to those of ordinary skill in the art to modify the teachings of Lindsey to include used and collectable goods. Lalonde also teach searching the posted goods to match buyers with sellers, which provides the obvious advantage of efficiency. As a result, it would have been obvious to those of ordinary skill in the art to modify the teachings of Lindsey to include matching as taught by Lalonde. See the abstract and col. 3 lines 40-51 of Lalonde

With respect to appellant's arguments regarding the prior rejection, as far as these arguments relate to the current grounds of rejection, the recitation of collectible and used goods has been considered as part of the claims as a whole and has been found to be obvious as indicated above. With respect to the secondary considerations asserted, they are not provided in the form of an affidavit and are not supported by facts or corroborated. Thus, they are not considered persuasive in overcoming this grounds of rejection.

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Concerning claims 8-10, the use of well known options and asset pools would have been obvious to those of ordinary skill in the art. With regard to claim 11, it would have been obvious to expand the market by associating the activity with another network as more consumers can be targeted. As for claim 12, the use of commission for selling an item is well known. Concerning claim 15, analyzing the price of a good over time is well known at least for determining what is considered fair asking or purchases prices. With respect to the provision of digital images of the goods for sale, the capture and presentation thereof is well known in the art and would have been obvious to those of ordinary skill in the art for the recognized advantage of allowing the buyer to view the item prior to purchase. With respect to claims 26-28, as mentioned above, Lindsey provides a unique code and prints title data. Further, the use of bar codes is well known and would have been obvious to those of ordinary skill in the art.

Claims 16 and 18-20 are rejected under 35 U.S.C. 103(a) as being unpatentable over Fujisaki in view of Lindsey et al. '383.

Fujisaki teach a system for electronically auctioning used goods such as cars using a host computer and a plurality of user terminals including posting an item to be auctioned by reading a computer record in a host computer of the item, posting bids throughout the system, receiving bid responses from user terminals, posting revised bids and repeating the process until the bidding is closed. See the abstract, fig. 1, the summary of the invention, col. 5 lines

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15-54, col. 7 lines 16-34, col. 9 line 27 to col. 10 line 41 and col. 14 lines 43-60. While Fujisaki does not specifically teach that the bidding is closed when no higher bids are found, such is a well known manner of conducting an auction and would have been an obvious substitution of equivalents to replace the operations in Fujisaki with an auction that closes when no higher bids are found.

While Fujisaki does not also specifically teach the transfer of ownership, this is taught by Lindsey. Note the teachings of Lindsey discussed above including the transfer of ownership through the use of electronic titles. As Lindsey provides the advantage of decreasing fraud and alleviates problems with lost paper titles and as Fujisaki is concerned with auctioning titled goods, i.e. cars, it would have been obvious to those of ordinary skill in the art to modify the teachings of Fujisaki to include the electronic title handling of Lindsey for the fraud protection and convenience advantages of Lindsey. With respect to the use of a reserve in the auction, such reserves are well known. Concerning the use of the Internet or a broadband network, the selection of a particular known network architecture is not seen to provide a patentable distinction.

Claim 17 is rejected under 35 U.S.C. 103(a) as being unpatentable over Fujisaki in view of Lindsey et al. '383 as applied to claims 16 and 18-20 above, and further in view of Barstow et al.

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Fujisaki and Lindsey fail to specifically teach the transfer of audio pointers to produce sound locally from an index of audio sound samples. However, this is taught by Barstow et al. wherein computer coded descriptions of an event including audio codes are transmitted to remote terminals to reproduce the event. The codes are used to access tables including a sound table that have entries enabling the generation of sounds. Barstow specifically suggests that the event can be an auction and teaches the advantage of using less bandwidth to broadcast the event. See the abstract, col. 2 lines 54-59, col. 3 lines 42-68, col. 12 lines 21-54 and col. 15 line 51 to col. 16 line 17 of Barstow. Thus, it would have been obvious to those of ordinary skill in the art to modify the teachings of Fujisaki and Lindsey to include the code transmission and tables used in Barstow for the advantage of using less bandwidth.

Claim Rejections - 35 USC § 112

The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

Claims 16-20 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

Claim 16 is not clear in that it attributes certain functions to software alone, i.e. "said caller program processing an opening bid...". Appellant argues that "server computer

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executing a caller program" is already recited in line 2. This does not alter the fact that the program alone is recited in the body of the claim as performing certain functions and is thus not directly tied to the server alone. Further, the entire phrase beginning on line 2 reads "a server computer executing a caller program to generate auction calls over a data network to a plurality of user terminals". The recited functions in the body of the claim attributed to the caller program, however, are more extensive than merely generating auction calls and as a result the link to the server mentioned on line 2 is not clear.

(11) Response to Argument

In general, appellant's arguments fail to consider both the explicit teachings of the references and what the fair teachings thereof would have suggested to those of ordinary skill in the art. Further, appellant's declarations concerning secondary considerations fail to meet the basic requirements of the controlling law.

(a) "Commercial Success"

Appellant asserts that objective evidence of non-obviousness has been submitted. The declaration filed 9/15/98 and the supplemental declaration filed 3/12/99 have not been found to be persuasive.

With regard to commercial success, appellant contends that other systems "employing features" of the claimed invention are enjoying widespread and massive commercial success.

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Paragraph 18 of the declaration filed 9/15/98 referenced in appellant's arguments mentions the success of e-Bay's online auction system. However, no attempt is made to show a nexus between the system of e-Bay and any of the claims, or to show that the success of e-Bay is due to the merits of the *claimed* invention. Although both the claimed invention and e-Bay are generally directed to electronic markets in used goods, this is not all that the instant claims require nor is this the full extent of e-Bay.. With respect to the supplemental declaration, the referenced portion, paragraph 4, asserts that the Internet contains at least 150 systems for creating an electronic market for used and collectable goods. This paragraph also mentions e-Bay again as well as the OnSale web site. Again, no nexus has been established between these various systems and the claims at hand. While appellant also asserts that "re-posting of the good" will ensure further success of this electronic market, it is not seen where the exhibit C attached to the supplemental declaration demonstrates this as asserted or how it proves current commercial success. Exhibit C is entitled "Confessions of an on-line auction addict" and describes personal experiences with on-line auctions and trends in the industry. It does not describe sufficient details of the auction systems to equate to the claimed invention nor mention "re-posting of the good". As a result no nexus is found between the supplied evidence and the claimed invention.

Appellant bears the burden of establishing nexus between the claimed invention and the evidence of commercial success. See *In re Huang*, 40 USPQ2d 1685, 1689 (Fed. Cir. 1996) and MPEP 716.03. Further, the evidence of commercial success must be commensurate in

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scope with the claims. See *In re Tiffin*, 171 USPQ 294 (CCPA 1971) and MPEP 716.03(a). Also, an affidavit or declaration attributing commercial success to a product or process "constructed according to the disclosure and claims of the application" or other equivalent language does not establish a nexus between the claimed invention and the commercial success because there is no evidence that those products or processes correspond to the claimed invention or that any commercial success is attributable to the product or process defined by the claims and not due to unclaimed features. MPEP 716.03(a). Moreover, commercial success must be derived from the claimed invention and not from business practices such as advertising or other business events extraneous to the merits of the claimed invention. See MPEP 716.03(b).

Both declarations clearly fail to demonstrate a nexus between the claimed invention and the asserted evidence. No attempt was made to show commercial success commensurate in scope with the claims. For example, no showing is made indicating how the existing systems map to the claimed "market maker computer" or how these existing systems provide "processing an order to buy said good from said participant terminal by transferring ownership of said good from a first owner to a second owner and changing said data record to reflect a new offer price from said second owner; and posting said good on said market maker computer at said second owner offer price" as recited in claim 6 for example. No showing is found that any commercial success is not from business practices such as advertising or business events extraneous to the merits of the claimed invention.

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Although auction systems necessarily have some features in common just to function as auctions, this does not mean that all the features of the claimed invention are found in the commercial auction systems and that any commercial success in the entire industry is due to the claimed limitations. By analogy this is similar to asserting that the commercial success of a particular automobile such as the Toyota Camry is because it merely has 4 wheels and a motor like a specific, disclosed but unproduced car. These cars necessarily have features in common to even be considered "cars", yet the commercial success of a particular car relies on much more than these features alone. While the examiner did indicate the existence of similarities, the level of similarity shown by the submitted evidence is a similarity that is merely the result of general purpose, i.e. on-line auctions, not that the any existing system has been shown to embody the claimed invention. Again, appellant has provided no nexus showing that any commercial success of existing auction systems is because of his claimed features. Further, appellant has not shown that the success of these systems is not due to business practices unrelated to the merits of the claimed invention or unclaimed features.

Appellant cites case law indicating that commercial success of "infringers" as well as sales by a patentee can be persuasive, but no attempt is made to show how systems such as e-Bay or any of the other 150+ auction systems actually infringe the claims. Such infringement cannot be assumed to exist. While licensing of the claimed invention can be persuasive in establishing commercial success, the license provided as exhibit E to the supplemental declaration licenses the instant claimed invention under "associated patents pending" and

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specifically licenses an issued patent. Thus, it is not clear that any "commercial success" attributable to the license is due to the merits of this particular claimed invention.

(b) "Long-Felt Need"

With respect to the attempt at a showing of long-felt need, appellant asserts that it was the examiner's personal belief that such a need did not exist that led to the finding that long-felt need was not persuasively shown by the declarations. This is not the case.

Establishing long-felt need requires objective evidence that an art recognized problem existed in the art for a long period of time without solution. The need must have been a persistent one that was recognized by those of ordinary skill in the art. See *In re Gershon*, 152 USPQ 602, 605 (CCPA 1967) and MPEP 716.04. Further, the long-felt need must not have been satisfied by another before the invention by appellant and the invention must in fact satisfy the long-felt need. MPEP 716.04.

As appellant admits in the brief on page 21 lines 3-4, none of the evidence expressly stated that there was a need for the claimed invention. The term "fragmented, un-harmonized used and collectible goods marketplace" is appellant's, not a recognition advanced by those in the art for a long period of time. Long-felt need is analyzed as of the date the problem is identified and articulated and there is evidence of efforts to solve that problem. See MPEP 716.04. Without articulation of the problem, it is not seen how long-felt need can be found.

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As stated in the advisory action mailed 11/2/98, the Christie's documents relied on actually assert Christie's expertise and reputation in the industry and tout Christie's international network or salesrooms and representative offices. No evidence is found to indicate that an art recognized problem exists in buying or selling used or collectible goods. See exhibit A attached to the first declaration. Exhibits B and C to this first declaration indicate a flourishing industry, not problems.

With regard to the supplemental declaration, appellant argues that long-felt need is evidenced by the fact that over 1500 dealers signed up for Sotheby's electronic market. Again, no art recognized problem is articulated by this document, it merely comments on the launch of Sotheby's on-line auction without indicating that this is a solution to a long-felt need. Further, there is no showing that any success of Sotheby's in this regard is due to the merits of the claimed invention in solving any problem that might exist. Sotheby's success can be readily attributed to Sotheby's reputation and skill in handling conventional auctions and their existing connections with professionals in this industry, factors that have no bearing on whether the system of Sotheby's solves some unmentioned long-felt need. As stated above, part of proving long-felt need is that "the invention" must in fact satisfy the need. As Sotheby's has not been shown to incorporate the claimed invention and as no evidence has been provided that the art recognized a persistent problem over a long period of time, it cannot be said that the success of Sotheby's is germane to the instant application.

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Finally, other factors contribute to the determination of long-felt need. The failure to solve a problem that results in any long-felt need maybe be due to factors such as lack of interest or lack of appreciation of an invention's potential or marketability rather than a want of technical know-how. See *Scully Signal Co. v. Electronics Corp. of America*, 196 USPQ 657 (1st. Cir. 1977) and MPEP 716.04. Appellant has not addressed this issue at all. Thus, since the evidence itself does not show an articulated long-felt need, or show that the claimed invention itself actually solves any long-felt need, or show any failure to solve a long-felt need was due to a want of technical know-how, the declarations cannot be considered persuasive and appellant's speculation on the examiner's beliefs is immaterial.

(c) The applied prior art

With respect to the applied prior art, appellant initially asserts that claim 6 is distinct from Lindsey because of features of the market maker computer described in the instant specification, such as shipping goods to participant-designated locations, posting a reserve price and posting buy at and sell at quantities. See the first paragraph of page 22 of the Brief. However, reading a claim in light of the specification to thereby interpret limitations explicitly recited in the claims is quite a different thing from reading limitations of the specification into a claim to thereby narrow the scope of the claim by implicitly *adding* disclosed limitations which have *no express basis* in the claim. See MPEP 2111, citing *In re Prater*, 162 USPQ 541 (CCPA 1969). In claim 6, no limitations explicitly require shipping goods or posting a

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reserve price or buy at and sell at quantities and thus, they are not required to be taught by the applied prior art when rejecting claim 6.

Appellant next asserts that there is no disclosure of buying and selling items on the computer system of Lindsey. This assertion fails to appreciate the explicit teachings of Lindsey. Multiple times throughout the patent of Lindsey, the disclosed system is described as a "*trading system*" (see the abstract for example). The mainframe computer 10 of Lindsey is specifically connected to "*buyer terminals 18*" and is programmed to carry out "*trading transactions as well as the electronic title technique of the invention*" (col. 3 lines 50-53 and 59-62). Lindsey specifically mentions that further details of the centralized trading system are disclosed in the appendix (col. 5 lines 43-47) and suggests that electronic funds transfer can be implemented in the trading system (col. 6 lines 65-68). At figure 3D and col. 22 lines 22+, Lindsey describes "the programmed operations of the mainframe computer 10 in carrying out *the sale of a cotton bale*" and that the buyer's terminal receives information that is "indicative of a desire to look at *bales available for sale*" and that "a menu appears on the buyer's terminal screen indicating information to input to *complete a transaction for purchasing one or more bales of cotton*". The referenced appendix of Lindsey clearly describes a computer-based electronic market where buyers scan the system for lots offered by producers and make bids, counter offers or buy at a firm asking price via the system (col. 28 lines 48-51 for example). The appendix clearly indicates that electronic title processing is an enhancement added on to the Telcot trading system described therein (col. 38 lines 5-20).

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Appellant attempts to paint Lindsey as merely an electronic title system, but this is clearly not so as Lindsey specifically teaches carrying out trading transactions *as well as* electronic title techniques as mentioned above. Moreover, attention is drawn to the extent that buying and selling is explicitly recited in claim 6. Claim 6 recites that an order to buy goods is processed "by transferring ownership of said good from a first owner to a second owner and changing said data record to reflect a new offer price from said second owner". That Lindsey transfers ownership to a second owner is clear, as the record is updated to show "the buyer number, a transferral or ownership and the date and time". See col. 22 lines 47-49 and col. 22 line 54 to col. 23 line 45 for example. That a new offer price is established is clear from the fact that Lindsey specifically teaches that the commodity "can also be traded multiple times inside or outside the centralized trading system 8" (col. 23 lines 46-47). Common knowledge of trading dictates that a new offer price be established by the second owner and that the new price be recorded so as to be available to the trading system of Lindsey.

Appellant argues that the owner and the purchaser in Lindsey do not log onto the system of Lindsey until after they have agreed to the terms of the sale, citing col. 23 lines 52-54 of Lindsey, and argues that the processing in Lindsey is merely a confirmation of a previous negotiation. However, no mention of "logging on until after terms are agreed upon" is found as asserted by appellant in this portion of Lindsey. Both the owner and the purchaser have terminals 18. The relevant portion of this citation states "They agree on the terms of the sale, and the owner enters "/>

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reached outside the system, and further "/BBB" is not a log-on command, it pulls up a menu of bales. Appellant's assertion that Lindsey merely provides confirmation ignores Lindsey's teaching of a *trading* system found throughout the patent and its appendix including bidding and counter offers as mentioned above and takes the cited portions of col. 23 out of context. As mentioned above, Lindsey teaches that the commodity can be traded "inside or outside" the system. Appellant appears to have ignored the teaching of trading "inside" the system.

With respect to Lalonde, appellant argues that it merely provides "an invitation to deal" as the electronic classified ads of Lalonde do not equate to buying or selling. However, Lalonde was applied under 35 USC 103 and is not relied on to show buying or selling nor should it be required to re-teach that which is taught by Lindsey. Lalonde specifically teaches that his system is for sellers selling property including automobiles and "can be applied to any field in which conventional classified ads are useful". See col. 3 lines 41-51 of Lalonde. Thus, Lalonde was relied on to show sellers posting used or collectible goods as these are things commonly found in classified ads, e.g. used or collectible cars, furniture, musical instruments. Moreover, Lindsey specifically suggests that the invention "can be utilized in *other environments*, and are *not thereby limited to commodities* or the equipment shown" and that the invention "is applicable to other commodities such as grain, lumber, etc.". See col. 3 lines 40-44 of Lindsey.

Appellant argues the fact that the claims are drawn to used or collectible goods provides a patentable distinction. However, as indicated above, Lindsey specifically suggests

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use in *other environments* not merely commodities. Further, Lalonde clearly teaches an electronic system for sellers of *used or collectible goods* to post these goods to potential buyers. It would have been obvious to those of ordinary skill in the art to modify the system of Lindsey to trade used or collectible goods based on Lindsey's explicit teaching of uses in other environments and of the known desire of sellers of used or collectible goods to electronically post their goods to buyers as evidenced by Lalonde. The readily recognized advantage would have been to allow such known sellers of electronically posted goods to conveniently and securely complete the transaction as provided by the system of Lindsey. This combination clearly provides a market in used or collectible goods.

Appellant again points to the specification and certain features shown therein such as allowing speculation on collectible goods at the top of page 23 of the brief, but these features will not be read into the claims as indicated above since they are not explicitly required by the claims. Appellant also attempts to limit Lindsey to commodities, but this ignores the specific teaching of Lindsey of use in other environments.

With regard to the recitation of a new offer price, appellant argues that Lindsey does not contemplate offering goods on his system at any price. This gives little credit to both the explicit teachings of Lindsey and what the fair teachings of Lindsey represent to those of ordinary skill in the art. That the system of Lindsey is for selling has been clearly established above. Lindsey specifically processes sales transactions in addition to the title transfer appellant has myopically focussed on. At col. 30, line 66 to col. 31 line 17, Lindsey teaches

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that "the producer can display all of his lots of cotton...and *quoted market value*". Among other options, a firm offer option is included that lists the seller's price. See col. 32 lines 7-11 and the "figure 1" at the bottom of this column showing the "firm offer" screen. This price must inherently be recorded in association with particular bales in order to be displayed as shown.

In light of Lindsey's explicit teaching at col. 23 lines 46-47 that the commodity can be traded multiple times inside the centralized trading system, common sense dictates that the new owner set the new price as it is now his commodity that is being offered for sale. If the term "new offer price" of claim 6 is seen to require that the new price be different than the original price, common business sense would have indicated that buying and reselling would have typically been done in order to make a profit, necessitating a price change. While appellant argues that there is no evidence in the references that this is the case, "In considering disclosure of reference patent, it is pertinent to point out not only specific teachings of patent but also the reasonable inferences which one skilled in the art would logically draw therefrom." *In re Shepard*, 138 USPQ 148 (CCPA 1963). Also, references cannot be approached on the basis that those in the art would know only what they could read in references; those skilled in the art must be presumed to know something apart from what references disclose" *In re Jacoby*, 135 USPQ 317 (CCPA 1962). In this case, the examiner's conclusion of changing price after ownership is seen to fall well within the level of ordinary skill in the art.

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With regard to the motivation to combine the references provided by the examiner, e.g. security, appellant attacks this motivation based on his flawed concept that Lindsey does not market goods at all. As clearly described above, Lindsey teaches trading, thus the buying and selling of goods is provided for. With respect to appellant's comments on Lalonde not involving titles at all, appellant ignores the paper titles required for used cars for example as would have been found in Lalonde, and ignores the security benefits of establishing electronic records of ownership for many of the other items that would have been found in the system of Lalonde such as musical instruments. The combination of Lindsey and Lalonde also allows the completion of a transaction for used or collectible goods in addition to the posting taught by Lalonde. These benefits would have been appreciated by those of ordinary skill in the art and clearly would have included gaining clear records of ownership and transaction details.

With respect to the motivation involving the obvious efficiency of searching for goods, appellant argues that there is no teaching in Lindsey that searching is needed. However, as a matter of law, Lindsey is not required to suggest all obvious modifications to his system. The PTO can satisfy the burden under section 103 to establish a prima facie case of obviousness "by showing some objective teaching in the prior art or that knowledge generally available to one of ordinary skill in the art would lead that individual to combine the relevant teachings of the references". *In re Fine*, (CA FC) 5 USPQ2d 1596 (1/26/1988). Here, it would have been known to those of ordinary skill in the art that providing search capabilities as in Lalonde would have allowed a buyer to find the desired product faster than scrolling through all

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products available for sale. Even in a single commodity market like cotton, since cotton at least comes in different qualities as taught by Lindsey, it would have been obviously more efficient for a buyer to review for purchase only those bales meeting his quality requirements. Thus, it would have been obvious to modify the teachings of Lindsey to include the search of Lalonde for the purpose of efficiency. As no teachings found exclusively in appellant's specification were utilized in making the combination of references, it cannot be said that impermissible hindsight has been used.

Concerning claim 7, appellant argues that neither Lindsey nor Lalonde teach creating accounts or debiting accounts. However, Lindsey clearly suggests the use of electronic funds transfer (col. 6 lines 65--68). Those of ordinary skill in the art would have readily appreciated that electronic funds transfer in a trading system requires both the buyers and sellers have accounts and that the buyer's account be debited for the purchase made.

With regard to claim 8, appellant asserts that the limitations thereof are not suggested by the applied prior art. However, in the office action, the examiner effectively took Official Notice that creating and selling options is well known. Options are old in commodity markets. Appellant has merely challenged this now by stating that this is not in the art of record. Challenging the existence of well known prior art by arguing that the fact is not supported by a reference, without also stating that the examiner is wrong in the fact noticed or that appellant is without knowledge of the noticed fact does not constitute a proper traverse. Since creating and selling options is known, it would have been obvious to those of ordinary skill in the art to

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modify the teachings of Lindsey and Lalonde to include such options for the benefit of expanding the trading transacted by the system to include options as in commodity markets.

Similarly, concerning claims 9 and 10, again, the examiner effectively took Official Notice that pooling assets and selling shares is well known in the art as is creating and selling options. Appellant merely responds by asserting that this is not found in the applied references. This is not a proper traverse of this grounds.

With respect to claim 11, appellant argues that there is no market at all in Lindsey, but this ignores the teachings of trading in Lindsey as discussed extensively above. The recitation of a second market merely duplicates the system of Lindsey and thus is not seen to provide a patentable distinction as it has been held that to duplicate parts for multiple effects would have been obvious. See *St. Regis Paper Co. v. Bemis Co.*, 193 USPQ 8, 11 (7th Cir. 1977); *In re Harza*, 124 USPQ 378, 380 (CCPA 1960). The transfer of data between markets would have been obvious as mentioned in the Office action in order to reach a wider audience for the posted good for sale.

Concerning claim 12, appellant argues that Lindsey and Lalonde are silent on commissions for the sale of goods. However, as above, the examiner effectively took Official Notice that commission for the selling of an item is well known. Appellant has not stated that the examiner is wrong in this assertion nor has appellant stated that he is without this knowledge. As it has been held that automation of what was done by hand is obvious, *In re Verner*, 120 USPQ 192, 194 (CCPA 1958), and as Lindsey already suggests the use of electronic funds transfer, the

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automatic paying of commission would have been obvious to those of ordinary skill in the art for the obvious benefit of conveniently paying the typical commission.

With respect to claims 16-20 and the rejections relying on Fujisaki, Lindsey and Barstow, appellant again goes to the specification on page 29 of the brief for details that are not explicitly required by the claim language. As indicated above with respect to claim 6, the details of the specification cannot be read into the claims.

Concerning the actual recitations of claim 16, appellant argues that Fujisaki does not teach means for clearing a purchase request. However, all the dependent claims of claim 16 refer to "the method of claim 16" and the body of claim 16 recites a series of steps. If claim 16 is intended to be a method claim, this is relevant to the recited "means for clearing" as the steps recited in the body do not make use of this means and thus it is superfluous to the recited method. Patentable weight cannot be given to structure in a method claim where the structure is not used by the method.

Even considering the recited "means for clearing a purchase request", appellant's arguments fail to consider the teachings of the applied references in combination.

"Non-obviousness cannot be established by attacking references individually where the rejection is based upon the teachings of a combination of references". *In re Merck & Co., Inc.*, 231 USPQ 375 (CA FC 1986). In this rejection Fujisaki is not relied on alone as it is combined with Lindsey. As detailed above with regard to claim 6, Lindsey clearly involves processing transactions from buyer's terminals including suggestions of electronic funds

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transfers and records changes of ownership which effectively clear the purchase request.

Further, as seen at the bottom of page 29 of the brief, appellant agrees that Lindsey transfers ownership after payment has been received. Considering the electronic funds transfer and transfer of ownership of Lindsey, it is not seen what further detail exists in the claim language *itself regarding the means for clearing a purchase request.*

With respect to bidding, appellant argues that neither reference teaches receiving a bid response from the user terminals and posting a revised bid to the plurality of user terminals using a server. As far as this is clearly recited in the claims, appellant has made the mistake of requiring that the claimed server be the host computer 10 of Fujisaki. As clearly seen from appellant's own citations of Fujisaki in col. 10, front computers 20, 30 and 40 of Fujisaki receive and post bids. No requirement is found in the claims that requires the recited server to be read solely on host computer 10 of Fujisaki.

Concerning the combination of Fujisaki and Lindsey, appellant asserts that this is improper because they are "disparate and the motivation to combine these references is lacking". As mentioned above, Lindsey specifically teaches use in other environments aside from commodities. Appellant's characterization of Lindsey as directed to cotton bales merely considers the disclosed embodiment and not the fair teachings of the reference, including the specific suggestion of other environments. As also mentioned above, Lindsey includes bidding as described in the appendix. Thus, it is not seen how the references are so "disparate" as to be uncombinable.

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In challenging the asserted motivation, appellant argues that Fujisaki does not discuss the exchange of cars and titles and is silent on fraud protection. However, this attempts to switch the question of obviousness to what would have been obvious to Fujisaki, not what would have been obvious to those of ordinary skill in the art. As mentioned above with respect to Lindsey, Fujisaki is not required to suggest all possible obvious modifications to his system. As the system of Fujisaki is auctioning cars, the end result for the parties involved must eventually be the transfer of titles and ownership. As Lindsey teaches a system to do this that provides fraud protection and convenience, e.g. the system transfers electronic records of ownership, motivation is clearly provided for those of ordinary skill in the art to make the modification to Fujisaki. Although appellant criticizes the use of "convenience" as a motivation, merely a brief review of the system of Lindsey indicates that such a system if employed in Fujisaki would alleviate the eventual manual transfer of car ownership by the electronic title system taught in Lindsey and provide electronic completion of the transaction, in other words, convenience.

Appellant also asserts that the references are non-analogous art as they are not both electronic trading. Appellant again treats Lindsey as if there was no trading, but this goes against the explicit teachings therein as detailed above. Appellant also treats Fujisaki as if there would never be a transfer of ownership as a result of the electronic auction, which avoids the inherent purpose of having an auction in the first place. Finally, appellant's argument that Fujisaki and Lindsey could not be combined because it results in an illegal system involving

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forgery of automobile titles is not cogent. This argument limits the teachings of Fujisaki merely to its preferred embodiment and focuses on the legal details surrounding this one embodiment, not the desirability of the combination. This is analogous to saying that a combination of references cannot be made because it would have been too costly. However, as seen in *Orthopedic Equipment Company, Inc. et al. v. United States* (CA FC) 217 USPQ 193 (3/11/1983) "Fact that two disclosed apparatuses would not be combined by businessmen for economic reasons is not same as saying that it could not be done because skilled persons in art felt that there was some technological incompatibility that prevented their combination; *only* latter fact is telling on nonobviousness issue" (emphasis added). No *technological* incompatibility is found here and motivation has been established as discussed above.

Moreover, Fujisaki clearly states that "the auction information transmission processing system is not limited to used cars but can be applied to the auctioning of various articles". See col. 14 lines 43-46. As the benefits of electronic trading and titles have been established in Lindsey for commodities and other environments (abstract, col. 3 lines 7-13), it would have been obvious to those of ordinary skill in the art that the "various articles" auctioned as suggested by Fujisaki would have benefited therefrom as well.

With respect to claim 21 as rejected in view of Lindsey and Lalonde, appellant again mischaracterizes Lindsey. As set forth in detail above, Lindsey is not solely directed to an electronic title system after a deal is struck, nor is Lindsey limited to just cotton bales. Lindsey provides for trading in commodities and other environments and this cannot be

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ignored. Appellant then goes back to the instant specification to pull out details of speculation in used and collectible goods. However, as indicated above with respect to claim 6, these details in the specification cannot be imported into the claims. With respect to the claimed used or collectible goods, as indicated above, this is obvious in light of the combination of Lindsey and Lalonde.

Appellant then asserts that Lindsey does not teach a plurality of participant computers for displaying a portion of the data record of the good for sale and goes on to say that Lindsey only teaches a single terminal showing a single record after a deal is struck. This argument disregards the clear teachings in Lindsey of plural buyer terminals 18 (col. 3 line 52-53) and the trading information displayed on such terminals as described and shown for example in the appendix at col. 30 line 63 to col. 31 lines 5, "fig. 1" at the bottom of cols. 31-32, "fig. 2" in the middle of cols. 33-34 and "fig. 3" at the top of cols. 35-36 in the appendix of Lindsey. Appellant's assertion that it is not contemplated in Lindsey that more than one buyer see the data record is not cogent as it ignores the review, bidding and trading that is clearly part of Lindsey. Clearly, multiple buyers will want to review the record to examine the bale's quality and asking price prior to purchase. Is appellant suggesting that the buyer in Lindsey get a blank screen in response to his desire to look at bales available for sale as specifically taught in col. 22 lines 25+?

With respect to the recitation of processing payment instructions, this has been dealt with above, noting Lindsey's specific suggestion of electronic funds transfer and the teachings

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of Lindsey regarding transfer of ownership. Concerning the motivation to combine Lindsey and Lalonde, this has also been addressed above including indications of how the combination would have benefited Lalonde regarding the completion of a transaction and how the inclusion of searching would have benefited Lindsey.

Concerning claims 22 and 23 regarding the use of a digital image capture device, appellant asserts that there would be no benefit to Lindsey. Apparently to appellant, cotton is cotton, but this ignores factors such as quality that are important to buyers and recognized by those in the art. Moreover, this ignores Lindsey's suggestion of other environments *outside* of commodities as repeatedly mentioned. As combined with Lalonde, in selling other goods such as cars, furniture or musical instruments typically found in Lalonde, pictures are "worth a thousand words" as the old well known saying goes. Thus, considering the readily apparent benefits of images in sales and at least Lindsey's teachings of other environments, it would have been obvious to those of ordinary skill in the art to employ known digital image capture devices. Appellant's comments on the telephonic nature and lack of visuals in Lalonde mistakenly requires the combination of the teachings of Lalonde and Lindsey to necessarily import all the structure of Lalonde into Lindsey. This is clearly not required under 35 USC 103.

With regard to claims 24 and 25 and a new sale price after the transfer of ownership, payment processing and offering the good at the new price, these limitations have been fully dealt with above, noting Lindsey's specific teaching of trading multiple times and the

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necessary and common sense result of this teaching. Regarding the existence of a binding offer to sell, this is specifically provided in Lindsey. Appellant acknowledged this much as noted by the interview summary form, paper no. 11 of 9/10/97. Lindsey does not merely confirm transfer of title as mistakenly asserted by appellant, note the trading specifically disclosed in Lindsey as extensively discussed above.

(d) The 35 USC 112, second paragraph rejection

With respect to this issue, appellant asserts that claim 16 recites "a server computer executing a caller program". This recitation only appears in the preamble. The body of the claim includes recitations of "posting an opening bid...by said caller program processing an opening bid" and "receiving a bid...by said caller program processing a bid". Thus, the body of the claim directly and specifically attributes functions such as receiving, posting and processing to the caller program itself that simply cannot be performed as recited. A program itself has no means for processing, let alone means to receive or post as it is merely a series of code or instructions. The body of the claim does not attribute these functions to the server computer. As a result, since claim 16 recites functions that cannot be performed as recited, it cannot be said to particularly point out and distinctly claim the invention. While appellant argues that he has attempted to correct this issue after final but amendments were denied entry, appellant forgets that these after final amendments made additional changes to the claims

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including claim 16 that went beyond merely addressing this issue and required further consideration and/or search.

(12) Conclusion

As discussed above, appellant's arguments ignore the explicit teachings of the references and fail to consider what these teachings would have suggested to those of ordinary skill in the art. Further, the submitted declarations fail to meet the established criteria for commercial success and long-felt need. Finally, appellant's arguments concerning the 35 USC 112, second paragraph issue ignore the fact that the body of the claim explicitly recites steps that cannot be performed as recited.

For the above reasons, it is believed that the rejections should be sustained.

Respectfully submitted,


ROBERT A. WEINHARDT
PRIMARY EXAMINER

Thomas G. Woolston
8408 Washington Ave.
Alexandria, Va 22309

July 19, 1999

Exhibit C

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014

Office Action Summary

Application No.
09/253,014

Applicant(s)

Woolston

Examiner

M. Kemper

Group Art Unit

2165



☒ Responsive to communication(s) filed on Jul 28, 2000

☐ This action is FINAL.

☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 35 C.D. 11; 453 O.G. 213.

A shortened statutory period for response to this action is set to expire 3 month(s), or thirty days, whichever is longer, from the mailing date of this communication. Failure to respond within the period for response will cause the application to become abandoned. (35 U.S.C. § 133). Extensions of time may be obtained under the provisions of 37 CFR 1.136(a).

Disposition of Claim

☒ Claim(s) 11-25, 33-55, 64-99, and 133-147 is/are pending in the application.

Of the above, claim(s) _____ is/are withdrawn from consideration.

☐ Claim(s) _____ is/are allowed.

☒ Claim(s) 11-25, 33-55, 64-99, and 133-147 is/are rejected.

☐ Claim(s) _____ is/are objected to.

☐ Claims _____ are subject to restriction or election requirement.

Application Papers

☐ See the attached Notice of Draftsperson's Patent Drawing Review, PTO-948.

☐ The drawing(s) filed on _____ is/are objected to by the Examiner.

☐ The proposed drawing correction, filed on _____ is ☐ approved ☐ disapproved.

☐ The specification is objected to by the Examiner.

☐ The oath or declaration is objected to by the Examiner.

Priority under 35 U.S.C. § 119

☐ Acknowledgement is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d).

☐ All ☐ Some* ☒ None of the CERTIFIED copies of the priority documents have been

☐ received.

☐ received in Application No. (Series Code/Serial Number) _____

☐ received in this national stage application from the International Bureau (PCT Rule 17.2(a)).

*Certified copies not received: _____

☐ Acknowledgement is made of a claim for domestic priority under 35 U.S.C. § 119(e).

Attachment(s)

☒ Notice of References Cited, PTO-892

☒ Information Disclosure Statement(s), PTO-1449, Paper No(s). 18

☒ Interview Summary, PTO-413

☐ Notice of Draftsperson's Patent Drawing Review, PTO-948

☐ Notice of Informal Patent Application, PTO-152

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— SEE OFFICE ACTION ON THE FOLLOWING PAGES —

Notice of References Cited

Application No.
09/253,014

Applicant(s)
Woolston

Examiner
M. Kemper

Group Art Unit
2165

Page 1 of 1

U.S. PATENT DOCUMENTS

	DOCUMENT NO.	DATE	NAME	CLASS	SUBCLASS
✓ A	5,625,823	4/1997	Debenedictis et al.	395	706
✓ B	5,584,025	12/1996	Keithley et al.	395	615
✓ C	5,592,375	1/1997	Salmon et al.	705	22
D					
E					
F					
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FOREIGN PATENT DOCUMENTS

	DOCUMENT NO.	DATE	COUNTRY	NAME	CLASS	SUBCLASS
N						
O						
P						
Q						
R						
S						
T						

NON-PATENT DOCUMENTS

	DOCUMENT (Including Author, Title, Source, and Pertinent Pages)	DATE
✓ U	No Author, "Internet Providers Take Next Step Toward Electronic Commerce" Electronic Marketplace Report, v.8, n. 24	12/1994
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1. The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

2. Claim 35 recites the limitation "the database-to-presentation formatting program". There is insufficient antecedent basis for this limitation in the claim.

3. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

4. Claims 11,13, 16,18-23, 33, 35, 39-41, 43-45,49-50,54, 55, 64-70,74-85,90, 93-96, 133-146 are rejected under 35 U.S.C. 103(a) as being unpatentable over Salmon et al., patent number 5,592,375 in view of Sharp "From Army Knives to Gold Coins, Collectors Attend 'On-Line' Auction" Memphis Business Journal v.8, n.10 p.10 7/86.

Salmon teaches a method for conducting sales on the Internet comprising: receiving at a communication handler program executing on a host computer information from a first participant corresponding to an item for sale, the information received from the first participant including a designation of a category (col. 1, lines 15-45, col. 2, line 20, 25-55, col. 6, lines 25-45, col. 7, lines 5-25, col. 14, lines 1-5,20-35, col. 15, lines 14-20); processing the received information into a presentation format by a database-to-presentation format formatting program the presentation format including an indication of the category of the item (col. 7, lines 32-40 fig.1, col. 4, lines 5-

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40); and a tracking identifier or unique item identifier (product ID); receiving a page of information including category designation (fig. 7g). Salmon also teaches the information received from a seller further comprises an item subcategory (figs. 4p, 4q); information received from a seller comprises a verbal description or a graphical description or both (col. 2, lines 30-35).

Sharp teaches an on-line auction which accepts messages concerning collectibles for sale and asking price or reserve price and bids from participants for items where submitting payment information is inherent since this is at minimum a requirement to offer a legitimate bid, subjective information including authenticity, sellers and buyers register including identity information (inherent for the security check performed) before auction, and inherently seller financial information since this is necessary for at least registration fees and commission fees and monthly charges (whole document). It would have been obvious to one having ordinary skill in the art at the time of the invention to have used the online auctioning as described in Sharp as a replacement for the sales in Salmon since the auctioning of Sharp would have provided the advantage of lower costs as compared to brokering as suggested in Sharp and since the sellers have a possibility of receiving more money than the asking price or base price for the items thereby providing incentive to users to choose auctioning over brokering. Alternatively it would have been obvious to have used the buyers and sellers interface of Salmon in the system of Sharp since the system of Salmon would have provided an automated system for inputting information into the database of Sharp thereby reducing costs and would have provided a more enhanced auctioning system by providing

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users with more information in terms of graphics/multimedia thereby promoting use by the public. While the term "Internet" does not appear in the references, it would have been obvious to have used the Internet since this would have provided convenience and accessibility to many users over the world (as opposed to a closed or dedicated network) thereby increasing the customer base and since Salmon includes use of an Ethernet network which supports TCP/IP protocols necessary for the Internet.

It also would have been obvious to have the presentation format comprising a hypertext markup language format since this is well known in the art for linking information as is desired by Salmon (col. 2, lines 3-8). It also would have been obvious to have provided to the Internet participant instructions for sending payment information since this would have been necessary to complete the transaction. It also would have been obvious to one having ordinary skill to have opened and automatically closed the auction to participants since this is well known in the art at least for setting a beginning and ending time of the auction for the participants. It also would have been obvious to have implemented a world-wide-web interface since this was well known in the art for browsing the Internet. It also would have been obvious to have implemented a packet-switched network for the auctioning system since this is well known in the art as a fast and efficient mode of transmission which would have benefited the auctioning system as described in Sharp at least to quickly notify participants of the most recent bids. It also would have been obvious to have refused bids after a closing time or after a higher bid has been received since these are well known in the auctioning art for finality of the auction itself and finality of sales. It

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also would have been obvious to have notified the seller in response to receiving information and to have notified bidders of bid acceptance, including by E-mail, since notification would have assured the sellers and buyers of completed transmissions and would have eliminated repeat messages resulting from the users uncertainty of transmissions. It also would have been obvious to have advertised on the medium used by participants in Sharp and Salmon since this would have notified users and encouraged participation and would have been obvious to have an indication by the seller for permission to advertise the item since this also would have increased interest in the auction and to have a third party advertise in order to reduce the costs to the participants. It also would have been obvious to keep the asking or reserve price undisclosed since this would have been in the best interests of the seller to obtain the best price possible.

5. Claims 12,14, 15, 17, 24, 25, 34,36-38, 42, 46-48, 51-53, 71-73, 86-89, 98,99 are rejected under 35 U.S.C. 103(a) as being unpatentable over Salmon in view of Sharp as above further in view of "Internet Providers Take Next Step Toward Electronic Commerce".

The article teaches passing payment information from a host computer to an external clearinghouse and receiving at a host computer a response that payment has cleared (automated clearinghouse payment processing services to businesses), receiving payment information via a worldwide web page server (allow marketers on the www to accept consumers' Visa, MasterCard cards online); inherently debiting an account identified by the payment information and clearing credit card transactions since these are necessary to complete the transaction (either credit card, checking accounts). It would have been obvious to one having ordinary skill in the

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art at the time of the invention to have implemented the payment system as described in the article in the systems of Salmon and Sharp since the payment processing would have been necessary to implement and complete the transactions described in Salmon and Sharp. Also, it would have been obvious to have verification and assent to terms of sale before processing the bid since this would have deterred fraudulent behavior of the participants and would have been a condition of the registration of Sharp.

6. Claims 85,91,92, 97 are rejected under 35 U.S.C. 103(a) as being unpatentable over Salmon in view of Sharp as above further in view of Debenedictis et al., patent number 5,625,823.

Debenedictis teaches indicating an opening bid and current bid and notifying a user that a bid has been accepted (fig. 28, col. 28, line 60-col. 29, line 30). It would have been obvious to one having ordinary skill in the art at the time of the invention to have included the information of the interface of Debenedictis in the systems of Salmon and Sharp since this would have provided users with the most current information necessary for an online auction.

7. Claim 147 is rejected under 35 U.S.C. 103(a) as being unpatentable over Salmon in view of Sharp as above further in view of Keithley et al, patent number 5,584,025.

Keithley et al. teaches acquiring and displaying information or use in the sale of goods or services which includes advertising information (by third party col. 5, lines 35-40,45-55, col. 12, lines 15-22) product tracking identifier (property identifier) and uses a UNIX daemon in its communication handler program (abstract, col. 12, lines 20-40). It would have been obvious to one having ordinary skill in the art at the time of the invention to have used UNIX as in Keithley

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et al in the systems of Salmon and Sharp since the systems of Salmon and Sharp do not limit the operating systems and since UNIX handles the type of information used and the transactions performed in the systems of Salmon and Sharp.

8. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.

Nahan et al., patent number 5,664,111 teaches a database showing items for sale where the seller inputs categories and subcategories and includes a network which is worldwide (col. 3, lines 1-2, col. 8 - col. 10) and provides shipping instructions according to the buyer (col. 13, lines 55-65).

9. Any response to this action should be mailed to:

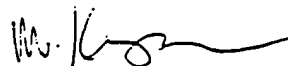
Commissioner of Patents and Trademarks
Washington, D.C. 20231

or faxed to:

(703) 308-9051, (for formal communications intended for entry)
(for informal or draft communications, please label "PROPOSED" or "DRAFT")
Hand-delivered responses should be brought to Crystal Park II, 2121 Crystal Drive, Arlington, VA.,
Sixth Floor (Receptionist).

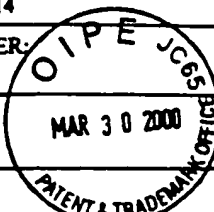
10. Any inquiry concerning this communication or earlier communications from the examiner should be directed to M. Kemper, whose telephone number is 703-305-9589. The examiner can normally be reached on Monday-Thursday from 8:30-6:00. The examiner can also be reached on alternate Fridays. If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Vince Millin, can be reached at 703-308-1065. Any inquiry of a general nature or relating to the status of this application should be directed to the Group receptionist whose telephone number is 703-305-3900.

M. Kemper
December 8, 2000


M. Kemper
Primary Examiner
Art Unit 2165

BD0013353

FORM PTO-1449 (REV. 7-80)		U.S. DEPARTMENT OF COMMERCE PATENT AND TRADEMARK OFFICE		ATTY. DOCKET NO.: 11092/006001		SERIAL NO.: 09/253,014	
LIST OF MATERIALS CITED BY APPLICANT (Use several sheets if necessary)				INVENTOR'S NAME: Thomas G. WOOLSTON		EXAMINER: D. Smith	
				FILING DATE: February 19, 1999		GROUP: 2764	



U.S. PATENT DOCUMENTS													
*EXAMINER INITIAL	A	5	8	7	0	5	5	2	DATE	NAME	CLASS	SUBCLASS	FILING DATE
MLL									02/09/99	Dozier et al.			
	B												
	C												
	D												
	E												
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FOREIGN PATENT DOCUMENTS														
	O								DATE	COUNTRY	CLASS	SUBCLASS	TRANSLATION	
													YES	NO

OTHER MATERIALS (Including Author, Title, Date, Pertinent Pages, Etc.)		
MLL	P	"Save the Earth Foundation: Internet Auction Online Rock and Roll Art Auction Celebrating Earth Day is Declared Open to the World for One Month", Business Wire, 1999; 04/24/95
MLL	Q	"Computer Museum Holds an Internet Auction", CMP 2000; 05/09/94
MLL	R	"Save the Earth Foundation: The First Ever Autographed Concert Poster Auction via the Internet", Business Wire, 1999; 04/17/95
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EXAMINER <i>M. K...</i>	DATE CONSIDERED <i>12/8/00</i>
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*EXAMINER: Initial if reference considered, whether or not citation is in conformance with MPEP 609; Draw line through citation if not in conformance and not considered. Include copy of this form with next communication to applicant.

BD0013354

PTO-1449

ATTORNEY'S DKT NO
032997-010

APPLICATION NO.
09/253,014

APPLICANT
Thomas G. Woolston

FILING DATE
February 19, 1999

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2763**




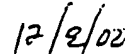
PATENT DOCUMENTS

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FOREIGN PATENT DOCUMENTS

[illegible]

OTHER DOCUMENTS (Including Author, Title, Date, Pertinent Pages, Etc.)

<small>(Including Author, Title, Date, Pertinent Pages, Etc.)</small>	
	"From Army Knives to Gold Coins, Collectors Attend 'on-line' Auctions", Amy Sharp, Memphis Business Journal v.8, no.10 s1, pg.10, published 7-28-86
	"Experimental Market Economics", Vernon L. Smith et al., September 1991, (Edited version in 12/92 issues of Scientific American.)
EXAMINER 	DATE CONSIDERED 

EXAMINER: Initial if reference considered, whether or not citation is in conformance with MPEP 609; draw line through citation if not in conformance and not considered. Include copy of this form with next communication to applicant.

BD0013355

(09/99)

Exhibit D

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014

PATENT
Attorney Docket No. 032997-010

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re application of:

Thomas G. WOOLSTON

Serial Number: 09/253,014

Filed: February 19, 1999

Examiner: M. Kemper

Group Art Unit: 2165

For: METHOD AND APPARATUS FOR FACILITATING
ELECTRONIC COMMERCE THROUGH INTERNET AUCTIONS

AMENDMENT

Assistant Commissioner for Patents
Washington, D.C. 20231

Sir:

In response to the office action mailed December 12, 2000, please amend this application
as follows:

IN THE CLAIMS:

Please amend claims 11, 14, 16, 18, 20, 21, 33, 35, 40, 43, 49, 51-55, 133, 145
and 146 as follows:

11. (TWICE AMENDED) A computer-implemented method for conducting auctions
on the internet, the method comprising:

receiving at a communication handler program executing on a host computer
information from a seller [first participant] corresponding to an item for auction, the
information received from the seller [first participant] including (i) a designation of a category,

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selected from a list of categories, under which the item for auction is to be listed, and (ii) input relating to scheduling an auction for the item;

processing at least a portion of the received information into a presentation format by a database-to-presentation format formatting program, the presentation format including an indication of the category of the item for auction;

based at least in part on the received auction scheduling input, conducting an auction for the item over the Internet by presenting the presentation format to a plurality of potential bidders;

receiving at the host computer at least one bid on the auctioned item from a bidder [second participant for the auction item]; and

receiving at a host computer payment information from the bidder [second participant].

12. (ONCE AMENDED) The method of claim 11 further comprising:

passing the received payment information from a host computer to an external clearinghouse; and

receiving at a host computer a response from the external clearinghouse that payment has cleared.

13. (ONCE AMENDED) The method of claim 11 wherein the database-to-presentation formatting program comprises a database-to-worldwide web mapping module.

14. (THREE TIMES AMENDED) The method of claim 11 further comprising:

receiving payment information from the bidder [second participant] via a worldwide web page server executing on the host computer.

15. (ONCE AMENDED) The method of claim 11 further comprising:
processing the received payment information with a transaction processor to debit an account identified by the payment information.

16. (TWICE AMENDED) The method of claim 11 further comprising:
associating the payment information with the bid received from the bidder [second participant].

17. (ONCE AMENDED) The method of claim 11 wherein the payment information identifies a credit card account.

18. (TWICE AMENDED) The method of claim 11 wherein the information received from the seller [first participant] includes a price for the auction item.

19. (ONCE AMENDED) The method of claim 11 wherein the presentation format comprises a hyper text markup language format.

20. (TWICE AMENDED) A computer-implemented method of conducting auctions on the internet, the method comprising:

receiving information about an item to be auctioned, the received information including (i) a designation of a category, selected from a list of categories, under which the item is to be auctioned, and (ii) input relating to scheduling an auction for the item;

generating a tracking identifier to identify the item to be auctioned;

processing at least a portion of the received information to create a presentation format corresponding to the item to be auctioned, the presentation format including an indication of the category of the item to be auctioned;

based at least in part on the received auction scheduling input, conducting an auction for the item over the Internet by presenting the presentation format to a plurality of internet participants;

receiving at least one bid for the item from at least one internet participant;

providing to the internet participant instructions for sending payment information to pay for the auctioned item.

21. (TWICE AMENDED) The method of claim 20 [further comprising:]

wherein conducting an auction for the item comprises opening an auction process to participants on the internet; and further comprising

automatically closing the auction process to the internet participants based on a predetermined condition.

22. (ONCE AMENDED) The method of claim 20 further comprising:

receiving the bid for the auctioned item via a world wide web page server interface.

23. (ONCE AMENDED) The method of claim 20 further comprising:
receiving payment information from the participant, the payment information
being associated with the bid.
24. (ONCE AMENDED) The method of claim 20 further comprising:
receiving from the participant payment information identifying a credit card
account, passing the credit card account information to a clearinghouse and receiving
authorization from the clearinghouse that payment with the credit card has cleared.
25. (ONCE AMENDED) The method of claim 20 further comprising:
receiving payment information from the participant, clearing the payment
information, and transferring legal ownership of the item to the participant.
33. (TWICE AMENDED) A system for conducting auctions on the internet, the
system comprising:
an auction item presentation means for presenting items for auction to auction
participants connected via the internet, the auction item presentation means presenting items for
auction arranged into item categories, each item for auction being associated with an item
category designated by a seller of the item to be auctioned;
an auction process means for executing an auction process for the item based at least in
part on scheduling input received from the seller;
an auction bid recipient means for receiving, during the auction process, at least one bid
for an item being presented by the auction item presentation means; and

payment-recipient means for receiving payment information from a bidding participant, the payment information corresponding to the item for which the bid was received.

34. (ONCE AMENDED) The system of claim 33 further comprising payment verification means for passing received payment information to an external clearinghouse for verification.

35. (TWICE AMENDED) The system of claim 33 wherein the auction item presentation means comprises a database-to-presentation formatting program for mapping information from a database into a worldwide web format [comprises a database-to-worldwide web mapping program].

36. (ONCE AMENDED) The system of claim 33 further comprising:
a transaction processor to debit an account identified by the payment information if the received bid is approved.

37. (ONCE AMENDED) The system of claim 33 wherein the received payment information identifies a credit card.

38. (ONCE AMENDED) The system of claim 36 wherein the payment information identifies a credit card and wherein the transaction processor charges the credit card for the payment associated with the approved bid.

39. The system of claim 33 wherein the auction item presentation means presents the auction item information as a markup language page.

40. (TWICE AMENDED) An auction participant system for enabling participation in an online auction conducted over a packet-switched network, the auction participants including sellers of items to be auctioned and bidders on the items to be auctioned, the system comprising:

an auction item receiving means for receiving a page of information including one or more items available for auction, the received page of information including a designation of item categories with which the items for auction are associated, each seller designating an item category for that seller's item to be auctioned;

an auction process means for executing an auction process corresponding to the item based at least in part on scheduling input received from the seller;

an auction bid input means for inputting a bid for at least one of the items presented in the received page and for inputting payment information associated with the bid; and

bid transmission means for transmitting the bid and payment information via the packet-switched network to a remote bid processor system.

41. (ONCE AMENDED) The system of claim 40 wherein the received page comprises a markup language page and wherein the auction item receiving means comprises a web browser connected via the internet to a server at the remote bid processor system.

42. (ONCE AMENDED) The system of claim 40 wherein the payment information identifies a credit card provided by the auction participant to pay for the item in the amount of the bid.

43. (TWICE AMENDED) A system for auctioning a uniquely identified item over a packet-switched network, the system comprising:

a database of data records, each data record relating to an item and comprising an identifier to uniquely identify the item and an item category, designated by a seller of the item, under which the item is to be offered for auction;

an auction system, accessible by a plurality of participants via the packet-switched network, that presents an item for auction by providing a mark-up language page of information corresponding to an item that is available for auction during a specified time, the mark-up language page of information including an indication of the item's category;

wherein the auction system executes an auction process corresponding to the item based at least in part on scheduling input received from the seller of the item, receives bids from one or more of the participants over the packet-switched network and terminates the auction when one or more predetermined criteria are satisfied; and

wherein the auction system transmits to a selected auction participant information about where the selected auction participant should submit payment information for the auctioned item.

44. (ONCE AMENDED) The system of claim 43 wherein the auction system refuses to accept bids after the one or more predetermined criteria have been satisfied.

45. (ONCE AMENDED) The system of claim 43 wherein the auction system comprises a web page server interface for receiving bids from auction participants connected to the auction system via the world wide web.

46. (ONCE AMENDED) The system of claim 43 wherein the auction system receives payment information with each bid.

47. (ONCE AMENDED) The system of claim 46 wherein the auction system receives payment information identifying a credit card account, and transmits the credit card account information to a remote verification system before processing the bid.

48. (ONCE AMENDED) The system of claim 47 wherein the auction system selects a bid based on the one or more predetermined criteria, processes the credit card account for the amount of the bid, and transfers legal ownership of the item to the participant that submitted the bid.

49. (TWICE AMENDED) An auction participation system, in communication with an auction processor that processes bids for items being auctioned, for enabling participation in an online auction over a packet-switched network the auction participation system comprising:

an auction page recipient means that receives from a server at the auction processor a page containing information about at least one item being auctioned, the received page including a designation of an item category with which the at least one item being auctioned is associated, the item category being specified by a seller of the item;

an auction process means for conducting an internet-based auction of the item based at least in part on scheduling input received from the seller of the item;

bid input means for enabling a participant to input a bid for submission to the auction processor via the packet-switched network;

bid award receiving means for receiving an indication that the bid was awarded to the participant; and

_____ payment information input means for enabling the participant to input payment information in response to receiving a bid award.

50. The system of claim 49 wherein the auction page receiving means comprises a web browser system that accesses a server at the auction processor to receive the page.

51. (AMENDED) The system of claim 49 wherein the auction participation system receives payment information with each bid.

52. (TWICE AMENDED) The system of claim 51 wherein the auction participation system receives payment information identifying a credit card account and transmits the credit card account information to a verification system before processing the bid.

53. (TWICE AMENDED) The system of claim 52 wherein the auction participation system selects a bid based on one or more predetermined criteria, processes the credit card account for the amount of the bid and transfers legal ownership of the item to the participant that submitted the bid.

54. (TWICE AMENDED) A system for facilitating commerce at an internet-based auction, the system comprising:

auction item receiving means for receiving from one or more auction participants information regarding an item to be posted for an auction, the received information including a

designation of a category, selected from a list of categories, under which the item is to be auctioned;

auction processor means for processing information received by the auction item receiving means and presenting the processed information in a format to be transmitted to auction participants over a packet-switched network, the format including an indication of the category of the item to be auctioned, the auction processor means including an auction process means for executing an auction process for the item based at least in part on scheduling input received from the seller of the item; and

bid receiving means for receiving bids for the item presented to auction participants.

55. (TWICE AMENDED) A computer-implemented method of facilitating internet auctions, the method comprising:

receiving information from a seller including (i) information about an item to be auctioned at a computer system programmed to receive information over a communication network, and (ii) input relating to scheduling an auction for the item, the auction item information including a selection of a predetermined category, the predetermined category selected by the seller from a predetermined list of categories maintained by the computer system; based on at least a portion of the [in response to receiving auction item] information received from a seller, generating a unique item identifier by a program executing on the computer system;

notifying the seller of the unique item identifier generated in response to receiving information about the item to be auctioned;

based at least in part on the received auction scheduling input, auctioning the item at the computer system with an auction process program, the auction process program indicating the predetermined category selected by the seller and identifying the item to be auctioned; [and]

presenting the auction to a plurality of auction participants via a computer network in response to a request to display information about the item to be auctioned, the request to display the item's information being processed by a computer program executing on the computer system; and

receiving at the computer system at least one bid on the item being auctioned, the computer system updating a display of the item's information in response to receipt of the at least one bid.

64. The method of claim 55 wherein the information received from a seller further comprises an item subcategory, selected by the seller from a list of item subcategories, under which the item is to be offered for auction.

65. The method of claim 55 wherein the information received from a seller comprises a verbal description of the item or a graphical depiction of the item or both.

66. The method of claim 55 wherein the information received from a seller comprises a verbal description of the item, the verbal description including subjective information supplied by the seller.

67. The method of claim 66 wherein the subjective information includes one or more of following: condition of the item being offered for auction, authenticity of the item being offered for auction or special features of the item being offered for auction.

68. The method of claim 55 wherein, prior to supplying information, the seller registers to sell items for auction.

69. The method of claim 68 wherein registering the seller comprises receiving identity information from the seller.

70. The method of claim 68 wherein registering the seller comprises receiving financial information from the seller.

71. The method of claim 68 wherein registering the seller comprises opening a debit / credit account for the seller.

72. The method of claim 71 further comprising debiting the seller's account by an amount corresponding to a seller's fee.

73. The method of claim 71 further comprising crediting the seller's account by an amount corresponding to the purchase price of an item sold at auction.

74. The method of claim 55 wherein the seller logs into the auction computer system from a computing platform in order to provide information about an item to be auctioned.

75. The method of claim 74 wherein the seller's computing platform comprises a personal computer, a workstation, a cable set-top device, a video game system or a portable computing device.

76. The method of claim 55 wherein an auction participant logs into the auction computer system from a computing platform in order to browse or bid on items offered for auction.

77. The method of claim 76 wherein the auction participant's computing platform comprises a personal computer, a workstation, a cable set-top device, a video game system or a portable computing device.

78. The method of claim 55 wherein the seller-provided information includes a reserve price for the item to be auctioned.

79. The method of claim 78 wherein the seller's reserve price is not revealed to auction participants.

80. The method of claim 55 wherein prior to bidding on an item an auction participant browses the predetermined list of categories to search for desired items on which to place bids.

81. The method of claim 55 wherein the seller ships an item purchased at auction to a destination specified by the purchasing auction participant.

82. The method of claim 55 wherein the seller-provided information includes an indication from the seller whether the item offered for auction is to be advertised to potential bidders.

83. The method of claim 82 wherein the advertisement appears on a main web page maintained by the auction computer system.

84. The method of claim 83 wherein the main web page comprises a welcome page.

85. The method of claim 55 further comprising notifying an auction participant that a bid by that participant has been accepted.

86. The method of claim 55 wherein an auction participant makes electronic payment for an item purchased at auction.

87. The method of claim 86 wherein an auction participant makes electronic payment by providing credit card or debit card information.

88. The method of claim 86 wherein an auction participant makes electronic payment by providing electronic funds transfer information.

89. The method of claim 86 wherein an auction participant makes electronic payment using e-money.

90. The method of claim 55 wherein the seller-provided information includes a specified time period for the auction.

91. The method of claim 55 wherein the auction process program indicates an opening bid for an item offered for auction.

92. The method of claim 55 wherein the auction process program indicates a current bid for an item offered for auction.

93. The method of claim 55 wherein presenting the auction to the plurality of auction participants comprises displaying one or more of the following: a verbal description of the item offered for auction, a graphical depiction of the item offered for auction, or bid information relating to the item offered for auction.

94. The method of claim 55 wherein presenting the auction to the plurality of auction participants further comprises displaying advertisements to the plurality of users.

95. The method of claim 94 wherein the displayed advertisements relate to items offered for auction.

96. The method of claim 94 wherein the displayed advertisements relate to goods / services offered by a third party.

97. The method of claim 55 wherein the computer system updates the display of the item's information each time a bid higher than the current bid is received.

98. The method of claim 55 further comprising obtaining an auction participant's assent to terms of sale before accepting bids from that auction participant.

99. The method of claim 98 wherein the auction participant's assent is supplied via the Internet.

133. (ONCE AMENDED) A computer-implemented method of facilitating Internet-based electronic auctions, the method comprising:

receiving information from a seller of an item to be auctioned, the information including (i) information identifying the item to be auctioned and designating an item category selected by the seller from a list of item categories, and (ii) input relating to scheduling an auction for the item;

storing at least a portion of the received information in a database of information relating to items to be auctioned;

mapping at least a portion of the received information stored in the database into a presentation format that includes the identifying information and the item category provided by the seller;

displaying the presentation format to a plurality of buyers [the identity of the item to be auctioned in the designated item category];

based at least in part on the received auction scheduling input, conducting an online auction for the item including receiving bids on the item from one or more of the plurality of buyers; and
terminating the online auction of the item based on a predetermined condition.

134. The method of claim 133 further comprising notifying a winning buyer that a bid submitted by the winning buyer was a winning bid.

135. The method of claim 133 wherein the information received from the seller identifying the item to be auctioned includes at least one of an item title and an item description.

136. The method of claim 135 wherein the item description includes an electronic image of the item.

137. The method of claim 133 wherein receiving information from a seller further comprises receiving information designating an item subcategory selected by the seller from among a list of item subcategories.

138. The method of claim 133 wherein the predetermined condition based on which the online auction is terminated comprises an occurrence of an auction termination time.

139. The method of claim 133 wherein receiving information from a seller further comprises receiving a reserve price for the item to be auctioned.

140. The method of claim 139 wherein the predetermined condition based on which the online auction is terminated comprises an occurrence of the reserve price being met.

141. The method of claim 134 wherein notifying the winning buyer comprises sending the winning buyer an e-mail message.

142. The method of claim 133 further comprising notifying the seller of an outcome of the online auction.

143. The method of claim 142 wherein notifying the seller comprises sending the seller an e-mail message.

144. The method of claim 143 wherein the seller is notified of the winning buyer's identity.

145. (ONCE AMENDED) The method of claim 133 [further comprising] wherein receiving information from the seller of the item to be auctioned further comprises receiving input relating to [placement of] an advertisement for the item.

146. (ONCE AMENDED) A computer-implemented method of facilitating Internet-based electronic auctions, the method comprising:

receiving information via the Internet from sellers of items to be auctioned, each seller providing (i) information describing an item to be auctioned and designating an item category

and an item subcategory selected by the seller from a list of item categories and subcategories, and (ii) input relating to scheduling an auction for the item; [and]

storing at least a portion of the received information in a database of information relating to items to be auctioned;

displaying the list of item categories and subcategories via the Internet to a plurality of potential buyers, each potential buyer being able to browse the item categories and subcategories selectively to search for a desired item offered for auction; and

for each item to be auctioned: (i) mapping the received information stored in the database corresponding to the item into a presentation format that includes the identifying information and the item category provided by the item's seller; (ii) displaying the presentation format to a plurality of buyers; (iii) based at least in part of the received auction scheduling input, conducting an online auction for the item including receiving bids on the item from one or more of the plurality of buyers; and (iv) terminating the online auction of the item based on a predetermined condition.

[receiving bids from potential buyers on desired items offered for auction.]

147. The method of claim 11 or 26 wherein the communication handler program comprises a Unix daemon.

Please add new claims 148-218 as follows:

-148. (NEW) The method of claim 11 wherein the received auction scheduling input relates to an auction duration.

149. (NEW) The method of claim 11 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.

150. (NEW) The method of claim 11 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.

151. (NEW) The method of claim 11 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.

152. (NEW) The method of claim 11 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.

153. (NEW) The method of claim 11 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.

154. (NEW) The method of claim 20 wherein the received auction scheduling input relates to an auction duration.

155. (NEW) The method of claim 20 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.

156. (NEW) The method of claim 20 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.

157. (NEW) The method of claim 20 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.

158. (NEW) The method of claim 20 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.

159. (NEW) The method of claim 20 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.

160. (NEW) The system of claim 33 wherein the received auction scheduling input relates to an auction duration.

161. (NEW) The system of claim 33 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.

162. (NEW) The system of claim 33 wherein the received scheduling input comprises an indication that the auction process is to be started immediately.

163. (NEW) The system of claim 33 wherein the received scheduling input consists of an indication that the auction process is to be started immediately.

164. (NEW) The system of claim 33 wherein the received scheduling input comprises an indication that the auction process is to be invoked by the seller manually.

165. (NEW) The system of claim 33 wherein the received scheduling input comprises an indication that the auction process is to be initiated at a future time.

166. (NEW) The system of claim 40 wherein the received auction scheduling input relates to an auction duration.

167. (NEW) The system of claim 40 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.

168. (NEW) The system of claim 40 wherein the received scheduling input comprises an indication that the auction process is to be started immediately.

169. (NEW) The system of claim 40 wherein the received scheduling input consists of an indication that the auction process is to be started immediately.

170. (NEW) The system of claim 40 wherein the received scheduling input comprises an indication that the auction process is to be invoked by the seller manually.

171. (NEW) The system of claim 40 wherein the received scheduling input comprises an indication that the auction process is to be initiated at a future time.

172. (NEW) The system of claim 43 wherein the received auction scheduling input relates to an auction duration.

173. (NEW) The system of claim 43 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.

174. (NEW) The system of claim 43 wherein the received scheduling input comprises an indication that the auction process is to be started immediately.

175. (NEW) The system of claim 43 wherein the received scheduling input consists of an indication that the auction process is to be started immediately.

176. (NEW) The system of claim 43 wherein the received scheduling input comprises an indication that the auction process is to be invoked by the seller manually.

177. (NEW) The system of claim 43 wherein the received scheduling input comprises an indication that the auction process is to be initiated at a future time.

178. (NEW) The system of claim 49 wherein the received auction scheduling input relates to an auction duration.

179. (NEW) The system of claim 49 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.

180. (NEW) The system of claim 49 wherein the received scheduling input comprises an indication that the auction is to be started immediately.

181. (NEW) The system of claim 49 wherein the received scheduling input consists of an indication that the auction is to be started immediately.

182. (NEW) The system of claim 49 wherein the received scheduling input comprises an indication that the auction is to be invoked by the seller manually.

183. (NEW) The system of claim 49 wherein the received scheduling input comprises an indication that the auction is to be initiated at a future time.

184. (NEW) The system of claim 54 wherein the received auction scheduling input relates to an auction duration.

185. (NEW) The system of claim 54 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.

186. (NEW) The system of claim 54 wherein the received scheduling input comprises an indication that the auction process is to be started immediately.

187. (NEW) The system of claim 54 wherein the received scheduling input consists of an indication that the auction process is to be started immediately.

188. (NEW) The system of claim 54 wherein the received scheduling input comprises an indication that the auction process is to be invoked by the seller manually.

189. (NEW) The system of claim 43 wherein the received scheduling input comprises an indication that the auction process is to be initiated at a future time.

190. (NEW) The method of claim 55 wherein the received auction scheduling input relates to an auction duration.

191. (NEW) The method of claim 55 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.

192. (NEW) The method of claim 55 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.

193. (NEW) The method of claim 55 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.

194. (NEW) The method of claim 55 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.

195. (NEW) The method of claim 55 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.

196. (NEW) The method of claim 133 wherein the received auction scheduling input relates to an auction duration.

197. (NEW) The method of claim 133 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.

198. (NEW) The method of claim 133 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.

199. (NEW) The method of claim 133 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.

200. (NEW) The method of claim 133 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.

201. (NEW) The method of claim 133 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.

202. (NEW) The method of claim 146 wherein the received auction scheduling input relates to an auction duration.

203. (NEW) The method of claim 146 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.

204. (NEW) The method of claim 146 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.

205. (NEW) The method of claim 146 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.

206. (NEW) The method of claim 146 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.

207. (NEW) The method of claim 146 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.

208. (NEW) The method of claim 21 wherein the predetermined condition is defined at least in part by the received auction scheduling input.

209. (NEW) The system of claim 43 wherein the one or more predetermined criteria are defined at least in part by the received scheduling input.

210. (NEW) The method of claim 133 wherein the predetermined condition is defined at least in part by the received auction scheduling input.

211. (NEW) The method of claim 146 wherein the predetermined condition is defined at least in part by the received auction scheduling input.

212. (NEW) A computer-implemented method of facilitating Internet-based auctions, the method comprising:

receiving input from a seller of an item to be auctioned, the received input including an identification of the item to be auctioned and input relating to scheduling an auction for the item; and

initiating an online auction for the item based at least in part on the auction scheduling input received from the seller.

213. (NEW) The method of claim 212 wherein the received auction scheduling input relates to an auction duration.

214. (NEW) The method of claim 212 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.

215. (NEW) The method of claim 212 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.

216. (NEW) The method of claim 212 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.

217. (NEW) The method of claim 212 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.

218. (NEW) The method of claim 212 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.--

REMARKS

The Examiner's helpful consideration during the personal interview conducted on January 23, 2001 is acknowledged with appreciation. In view of the agreement reached at the interview, and in view of the foregoing amendments and the following remarks, reconsideration and allowance of this application are requested.

Claims 11-25, 33-55, 64-99, and 133-218 remain pending with claims 11, 20, 33, 40, 43, 49, 54, 55, 133, 146 and 212 being independent. Claims 11, 14, 16, 18, 20, 21, 33, 35, 40, 43, 49, 51-55, 133, 145 and 146 have been amended and claims 148-218 are newly presented for consideration.

Claim 35 has been amended to provide proper antecedent basis for "the database-to-presentation formatting program." Accordingly, all claims as presented comply with 35 USC 112.

For the reasons set forth at pages 2-7 of the office action, claims 11-25, 33-55, 64-99, and 133-147 stand rejected under 35 USC 103(a) as being unpatentable over one or more of Salmon (USP 5,592,375), Sharp ("From Army Knives to Gold Coins"), Debenedictis (USP 5,625,823); Keithly (USP 5,584,025); an article entitled "Internet Providers Take Next Step Toward Electronic Commerce" (hereafter, "Internet Providers"), and multiple unsupported assertions of inherency and obviousness. These rejections and assertions, and their underlying rationale, are traversed in their entirety.

However, without conceding the propriety of the Examiner's position, and solely to expedite allowance of this application, each of the pending independent claims has been amended to include an additional feature that was agreed during the interview not to be disclosed or suggested by the art of record. For example, independent claim 11 has been amended to recite that input relating to scheduling an auction for an item is received from a seller of the item and

that an auction for the item is conducted based at least in part on the received auction scheduling input. Support for this amendment is found in the specification and drawings at least at page 18, lines 23-27, and in Figures 3-4. Accordingly, because the art of record fails to disclose or suggest this feature, independent claims 11, 20, 33, 40, 43, 49, 54, 55, 133, 146 and 212 are allowable for at least this reason.

The remaining claims depend directly or indirectly from the independent claims discussed above. Accordingly, the dependent claims are allowable at least for the reasons that their respective independent claims are allowable and for reciting allowable subject matter in their own right. Independent consideration and allowance of the dependent claims are requested.

In particular, dependent claims 66 and 67 are additionally allowable for their recitation of receiving subjective information from the seller of the item to be auctioned. Contrary to the Examiner's assertion, Sharp does not disclose or suggest that the seller-provided information includes subjective information about the item to be auctioned. To the contrary, Sharp states that "collectors send messages offering their coins" and the human operators of the Acorn auction "check[] for authenticity and for the accuracy of the asking price." Sharp at paragraph 21.

Dependent claim 145 is further allowable for its recitation that receiving information from the seller of the item to be auctioned further comprises receiving information relating to an advertisement for the item. As discussed in more detail below, the Examiner has failed to identify a reference that provides a teaching or suggestion of this additional feature.

Applicant asserts that the foregoing claim amendments render moot the outstanding rejections and their underlying rationale. Nevertheless, in order to preserve its rights, applicant sets forth the following responses to assertions made by the Examiner in the office action. Applicant reserves its right to supplement its responses if the Examiner persists in rejecting the claims for the stated reasons.

As an initial matter, applicant takes exception to, and specifically traverses, the multiple assertions of inherency improperly made and relied upon by the Examiner. The Examiner is reminded that deeming a feature as "inherently disclosed" requires that the alleged inherency is the *necessary and inevitable* result of practicing what is asserted to embody the inherent disclosure. *In re King*, 231 USPQ 136 (Fed. Cir. 1986) (emphasis added). None of the Examiner's asserted inherencies satisfies this strict standard. For example, the following demonstrates that the allegedly inherent features are not in fact "inherent" because each is susceptible to at least one, and more likely several, alternative scenarios:

Page 3, "*submitting payment information is inherent since this is at minimum a requirement to offer a legitimate bid*": To the contrary, most if not all existing online auction systems do not require bidders to submit payment information as "a minimum requirement to offer a legitimate bid." For example, the Examiner is invited to try out eBay at <http://www.ebay.com> which imposes no such requirement.

Page 3, "*inherently seller financial information since this is necessary for at least registration fees and commission fees and monthly charges*": Here too, several auction systems exist that do not require sellers to provide financial information. See, e.g., <http://www.epier.com>. Moreover, the Acorn auction system disclosed in Sharp cannot be said to inherently require sellers to submit financial information since the registration fees, commission fees and monthly charges just as likely could have been paid by cashier's check or money order. Accordingly, providing seller's financial information is neither "necessary" nor "inevitable" and thus cannot properly be deemed an inherent feature.

The foregoing represents two examples of a feature improperly being deemed "inherent." The Examiner is requested to acknowledge the impropriety of, and retract, these assertions.

Similarly, in at least 13 instances noted below, without citing any support in the art of record, the Examiner has improperly deemed a feature or suggestion to be "obvious" or "well-known":

Page 4, "obvious to have used the Internet ..."

Page 4, "obvious to have the presentation format comprising a hypertext markup language ..."

Page 4, "obvious to have provided to the Internet participant instructions for sending payment information ..."

Page 4, "obvious ... to have opened and automatically closed the auction ..."

Page 4, "obvious to have implemented a world-wide-web interface ..."

Page 4, "obvious to have implemented a packet-switched network for the auctioning system ..."

Page 4, "obvious to have refused bids after a closing time or after a higher bid has been received ..."

Page 5, "obvious to have notified the seller in response to receiving information and to have notified bidders of bid acceptance ..."

Page 5, "obvious to have advertised on the medium used by participants ..."

Page 5, "obvious to keep the asking price or reserve price undisclosed ..."

Pages 5-6, "obvious ... to have implemented the payment system as described in ... Salmon and Sharp ..."

Page 6, "obvious to have verification and assent to terms of sale before processing the bid ..."

Page 6, "obvious ... to have included the information of the interface of Debenedictis in the systems of Salmon and Sharp ..."

Applicant traverses all of the above assertions and submits that such statements by the Examiner represent an improper use of official notice to reject the claims under section 103. As explained in MPEP 2144.03, official notice can properly be used only to establish facts that capable of "instant and unquestionable demonstration as being well-known." In re Ahlert, 424 F.2d 1088, 1091 (CCPA 1970). Moreover, official notice may be used only to "fill the gaps" and cannot be used as "the principal evidence upon which a rejection is based," Ahlert, 424 F.2d at 1088, or as the motivation for combining or modifying references. Ex Parte Grochowski, No. 95-1343, slip op. at 5 (Bd. Pat. App. & Int. June 27, 1995). Accordingly, applicant hereby challenges the Examiner's assertions of official notice and other various assertions of fact appearing throughout the office action and requests the Examiner either to retract such assertions or to cite a prior art reference in support of each of the assertions.

Further, applicant submits that in making the claim rejections under 35 USC 103, the Examiner has failed to identify a proper motivation or suggestion in the art to combine the references. To the contrary, a specific *disincentive* exists to combine Salmon and Sharp, as discussed below.

As the U.S. Court of Appeals for the Federal Circuit has repeatedly explained:

Obviousness cannot be established by combining the teachings of prior art to produce the claimed invention, absent some teaching or suggestion supporting the combination. Under section 103, teachings of references can be combined *only* if there is some suggestion or incentive to do so. The prior art fails to provide any such suggestion.

ACS Hosp. Sys. v. Montefiore Hosp., 221 USPQ 929, 933 (Fed. Cir. 1984) (footnotes omitted)
(emphasis in original).

At page 3 of the office action, the Examiner first asserts that the motivation for combining the database system of Salmon with the online auction of Sharp is provided by "the advantage of lower costs [associated with auctions] as compared to brokering as suggested by Sharp." It is respectfully submitted that the Examiner is mistaken - Sharp makes no such suggestion that auctions as a general matter have lower attendant costs or commission structures than other forms of commercial transactions. Rather, Sharp merely notes that the particular commissions charged by the "Acorn" auction happen to be lower than commissions traditionally charged by coin dealers. Sharp at paragraph 23. Contrary to the Examiner's assertion, nothing in Sharp discloses or suggests that commissions charged by auctions are necessarily, or even generally, less than those charged by other commercial intermediaries.

Also contrary to the Examiner's assertion at page 3 of the office action, the Acorn auction system disclosed in Sharp does not necessarily provide the "possibility of receiving more money than the asking price or base price for the items thereby providing incentive to users to choose auctioning over brokering." Rather, by their nature auctions do not use "base prices" or "asking prices" but rather only impose a minimum bid price and, potentially, a reserve price. It is just as likely that the minimum and reserve prices set by the auctioneers or sellers could be lower than an asking price set by a dealer. Accordingly, there is nothing inherent about auctions that makes them necessarily more attractive or lucrative than other forms of commercial exchanges.

Moreover, as noted above, the Examiner is further mistaken in asserting that the "auctioning" disclosed in Sharp is interchangeable with the "brokering" allegedly disclosed in Salmon. To the contrary, Salmon use of the term "brokering" is somewhat of a misnomer. At best, Salmon relates to "brokering" data (i.e., intermediating the communication of information) in a database and does not in fact relate to, or disclose, "brokering" in the sense intended by the Examiner - namely, acting as a commercial exchange to facilitate transactions relating to the sale

of goods or services. (See, e.g., Sharp at paragraph 3, using "brokerage" in this sense). Rather, Salmon merely discloses a knowledge-based database system that facilitates communication between sellers and buyers. Notably, Salmon makes no disclosure of online auctions, online markets or any other exchange for actually transacting electronic commerce. Accordingly, a person of skill in the art would have no motivation to substitute Sharp's online auction for the information "brokerage" of Salmon. Indeed, because the two systems represent an apples-oranges comparison, a skilled artisan would be greatly confused by the notion that Sharp's auction is somehow interchangeable with Salmon's database system.

Accordingly, the Examiner's asserted motivation to combine Salmon and Sharp is based on an incorrect understanding of Sharp and Salmon and thus is improper.

At pages 3-4 of the office action, the Examiner alternatively asserts, without any reference to the prior art, that a person of skill in the art would be motivated to combine the database system of Salmon with the online auction of Sharp because to do so would "reduc[e] costs and would have provided a more enhanced auctioning system by providing users with more information in terms of graphics/multimedia thereby promoting use by the public."

It is respectfully submitted that the Examiner is impermissibly engaging in hindsight reconstruction. Virtually any person of skill in the art, when presented with an enabling explanation of a novel invention, such as disclosed and claimed in the present application, could indiscriminately pick and choose elements from among the prior art to reconstruct the invention. However, combining references in that fashion without any suggestion or motivation *in the prior art* to do so constitutes legal error. *In re Fine*, 5 USPQ2d 1596, 1599-600 (Fed. Cir. 1988).

Applicant respectfully submits that the Examiner cannot point to any such motivation in the art of record because none exists. To the contrary, in view of the stated goals and constraints of the auction system disclosed in Sharp, the art of record provides a *disincentive* to combining

Sharp with Salmon. Sharp indicates in several instances that an automated system for inputting seller's information into the auction database would be undesirable and indeed would undermine the integrity of the auctions. Specifically, Sharp's indication that Acorn desires to provide a simple auction having low commission fees [Sharp at paragraphs 1, 3, 5 and 23] suggests that developing and implementing an elaborate and expensive front-end database system such as disclosed in Salmon would be cost-prohibitive and would overly complicate the system.

Furthermore, Sharp discloses that the Acorn administrators purposefully prefer, and indeed require, human intervention over an automated database front-end to maintain the integrity, accuracy and security of the auctions. Specifically, Sharp notes that (1) messages received from sellers "are completely private ... until [a human operator manually] read[s] them and transfer[s] them to the network" [Sharp at paragraph 19]; (2) "Such security is essential because of tight regulations on what can be said or done on a database accessible by the public" [Sharp at paragraph 18]; and (3) after a seller sends a message offering its coins, the Acorn administrators must check the coins for authenticity and for the accuracy of the asking price *before* "transferring the message onto the auction portion of the database" [Sharp at paragraph 21].

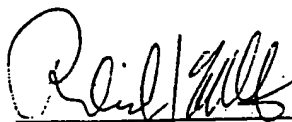
Accordingly, a person of skill in the art upon reading the above and other passages from Sharp would conclude that replacing the purposeful human intervention in the Acorn auction system would be undesirable and would frustrate many of Acorn's constraints and objectives. Such a clear "teaching away" militates strongly against a conclusion of obviousness under section 103. *Cf. Gillette Co. v. S.C. Johnson & Son*, 16 USPQ2d 1923, 1927 (Fed. Cir. 1990) (affirming conclusion of non-obviousness where, *inter alia*, the prior art would have discouraged a person of skill in the art from combining the references in question). Accordingly, the section 103 rejections of the claims are improper for this additional reason.

Attorney Docket No. 032997-010
Application Serial No. 09/253,014

In view of the foregoing, this application is in condition for allowance and a notice to that effect is requested.

Respectfully submitted,

BURNS, DOANE, SWECKER & MATHIS, L.L.P.



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Date: February 2 2001

Exhibit E

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014



UNITED STATES DEPARTMENT OF COMMERCE
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SERIAL NUMBER	FILING DATE	FIRST NAMED APPLICANT	ATTORNEY DOCKET NO.
09/253,014	2/19/99	Woolston	032997-010

EXAMINER

ART UNIT	PAPER NUMBER
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2165

24

DATE MAILED:

EXAMINER INTERVIEW SUMMARY RECORD

All participants (applicant, applicant's representative, PTO personnel):

(1) John Phillips(2) Melanie KemperDate of interview 1/23/01Type: ☐ Telephonic ☒ Personal (copy is given to ☐ applicant ☐ applicant's representative).Exhibit shown or demonstration conducted: ☐ Yes ☒ No. If yes, brief description:Agreement ☒ was reached with respect to some or all of the claims in question. ☐ was not reached.Claims discussed: independentIdentification of prior art discussed: Shoup, Selmon (103 ref.)

Description of the general nature of what was agreed to if an agreement was reached, or any other comments:

Neither Shoup nor Selmon appear to discuss the seller initiate existence of auction process - specifically giving seller control of when the auction takes place - immediately or at a future time. Further search and reconsideration is necessary.

(A fuller description, if necessary, and a copy of the amendments, if available, which the examiner agreed would render the claims allowable must be attached. Also, where no copy of the amendments which would render the claims allowable is available, a summary thereof must be attached.)

☒ 1. It is not necessary for applicant to provide a separate record of the substance of the interview.

Unless the paragraph below has been checked to indicate to the contrary, A FORMAL WRITTEN RESPONSE TO THE LAST OFFICE ACTION IS NOT WAIVED AND MUST INCLUDE THE SUBSTANCE OF THE INTERVIEW (e.g., items 1-7 on the reverse side of this form). If a response to the last Office action has already been filed, then applicant is given one month from this interview date to provide a statement of the substance of the interview.

☐ 2. Since the examiner's interview summary above (including any attachments) reflects a complete response to each of the objections, rejections and requirements that may be present in the last Office action, and since the claims are now allowable, this completed form is considered to fulfill the response requirements of the last Office action. Applicant is not relieved from providing a separate record of the substance of the interview unless box 1 above is also checked.

Melanie Kemper

BD0012982

Exhibit F

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014

JCP

The opinion in support of the decision being entered today was not written for publication and is not binding precedent of the Board.

Paper No. 45

UNITED STATES PATENT AND TRADEMARK OFFICE

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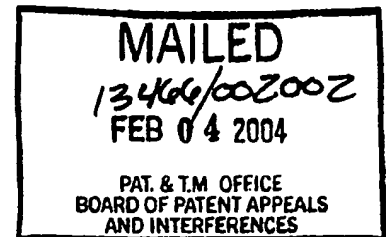
FISH & RICHARDSON, P.C.
SAN DIEGO

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte THOMAS G. WOOLSTON

Appeal No. 2003-1088
Application No. 09/253,014

HEARD: December 10, 2003



Before HAIRSTON, JERRY SMITH, and LEVY, Administrative Patent Judges.

LEVY, Administrative Patent Judge.

DECISION ON APPEAL

This is a decision on appeal under 35 U.S.C. § 134 from the examiner's final rejection of claims 11-25, 33-55, 64-99 and 133-218, which are all of the claims pending in this application.

BACKGROUND

Appellant's invention relates to computer-implemented methods and systems for conducting auctions on the Internet. An understanding of the invention can be derived from a reading of exemplary claim 11, which is reproduced as follows:

11. A computer-implemented method for conducting auctions on the internet, the method comprising:

receiving at a communication handler program executing on a host computer information from a seller corresponding to an item for auction, the information received from the seller including (i) a designation of a category, selected from a list of categories, under which the item for auction is to be listed, and (ii) input relating to scheduling an auction for the item;

processing at least a portion of the received information into a presentation format by a database-to-presentation format formatting program, the presentation format including an indication of the category of the item for auction;

based at least in part on the received auction scheduling input, conducting an auction for the item over the Internet by presenting the presentation format to a plurality of potential bidders;

receiving at the host computer at least one bid on the auctioned item from a bidder; and

receiving at a host computer payment information from the bidder.

The prior art references of record relied upon by the examiner in rejecting the appealed claims are:

Keithley et al.	5,584,025	Dec. 10, 1996
(Keithley)	(effectively filed: Oct. 29, 1993)	

Salmon et al. 5,592,375 Jan. 7, 1997
(Salmon) (filed Mar. 11, 1994)

Debenedictis et al. 5,625,823 Apr. 29, 1997
(Debenedictis) (effectively filed: Jul. 22, 1994)

Sharp, "From Army Knives to Gold Coins, Collectors Attend 'On-Line' Auctions", Memphis Business Journal, v.8, n.10, July 28, 1986, p. 10

Wright, et al., (Wright), "Is it Time to Travel the Auction Route?" Real Estate Today", v. 24, n.6, July 1991, p. 46(5)

"Internet Providers Take Next Step Toward Electronic Commerce," Electronic Marketplace Report, v. 8, No. 24, Dec. 20, 1994

Claims 148-151, 154-157, 160-163, 166-169, 172-175, 178-181, 184-187, 190-193, 196-199, 202-205, and 213-216 stand rejected under 35 U.S.C. § 112, first paragraph¹, as containing subject matter which was not described in the specification in such a way as to convey to one skilled in the relevant art that the inventor(s), at the time the application was filed, had possession of the claimed invention.

Claims 11, 13, 16, 18-23, 33, 35, 39-41, 43-45, 49, 50, 54, 55, 64-70, 74-85, 90, 93-96, 133-146, and 148-218 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over Salmon in view of Sharp and Wright.

¹ In the final rejection, claims 152, 158, 164, 170, 176, 182, 188, 194, 200, 206, and 217 were additionally rejected under 35 U.S.C. § 112, first paragraph. However, the rejection of these claims under 35 U.S.C. § 112, first paragraph, has been withdrawn by the examiner (answer, page 20).

Claims 12, 14, 15, 17, 24, 25, 34, 36-38, 42, 46-48, 51-53, 71-73, 86-89, 98 and 99 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Salmon in view of Sharp and Wright, and further in view of "Internet Providers Take Next Step Toward Electronic Commerce."

Claims 85, 91, 92 and 97 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Salmon in view of Sharp and Wright, and further in view of Debenedictis.

Claim 147 is rejected under 35 U.S.C. § 103(a) as unpatentable over Salmon in view of Sharp and Wright, and further in view of Keithley.

Rather than reiterate the conflicting viewpoints advanced by the examiner and appellant regarding the above-noted rejections, we make reference to the examiner's answer (Paper No. 35, mailed September 10, 2002) for the examiner's complete reasoning in support of the rejections, and to appellant's brief (Paper No. 33, filed April 15, 2002) and reply brief (Paper No. 39, filed November 18, 2002) for appellant's arguments thereagainst. Only those arguments actually made by appellant have been considered in this decision. Arguments which appellant could have made but chose not to make in the brief have not been considered. See 37 CFR 1.192(a).

OPINION

In reaching our decision in this appeal, we have carefully considered the subject matter on appeal, the rejections advanced by the examiner, and the evidence of lack of written description and obviousness relied upon by the examiner as support for the rejections. We have, likewise, reviewed and taken into consideration, in reaching our decision, appellant's arguments set forth in the briefs along with the examiner's rationale in support of the rejections and arguments in rebuttal set forth in the examiner's answer.

Upon consideration of the record before us, we reverse. We note at the outset that as noted by appellant (reply brief, page 1) the examiner (answer, page 6) misstates appellant's grouping of the claims.

We begin with the rejection of claims 148-151, 154-157, 160-163, 166-169, 172-175, 178-181, 184-187, 190-193, 196-199, 202-205, and 213-216 under 35 U.S.C. § 112, first paragraph. The description requirement exists in the first paragraph of 35 U.S.C. § 112 independent of the enablement (how to make and how to use) requirement. Where no prior application is relied upon, the description requirement is that the invention claimed be described in the specification as filed. As such, a rejection on

the description requirement is tantamount to a new matter rejection. The written description requirement serves "to ensure that the inventor had possession, as of the filing date of the application relied on, of the specific subject matter later claimed by him; how the specification accomplishes this is not material." In re Wertheim, 541 F.2d 257, 262, 191 USPQ 90, 96 (CCPA 1976). In order to meet the written description requirement, the appellant does not have to utilize any particular form of disclosure to describe the subject matter claimed, but "the description must clearly allow persons of ordinary skill in the art to recognize that [he or she] invented what is claimed." In re Gosteli, 872 F.2d 1008, 1012, 10 USPQ2d 1614, 1618 (Fed. Cir. 1989). Put another way, "the applicant must . . . convey with reasonable clarity to those skilled in the art that, as of the filing date sought, he or she was in possession of the invention." Vas-Cath, Inc. v. Mahurkar, 935 F.2d 1555, 1563-64, 19 USPQ2d 1111, 1117 (Fed. Cir. 1991). Finally, "[p]recisely how close the original description must come to comply with the description requirement of section 112 must be determined on a case-by-case basis." Eiselstein v. Frank, 52 F.3d 1035, 1039, 34 USPQ2d 1467, 1470 (Fed. Cir. 1995) (quoting Vas-Cath, 935 F.2d at 1561, 19 USPQ2d at 1116).

We note at the outset that the examiner does not refer to any specific claim or claims in the group of claims rejected under 35 U.S.C. § 112, first paragraph, but rather states (answer, page 4) that the "[c]ited portion of the specification does not clearly provide support for the seller inputting auction duration, start/end time, immediate start, or indication that the auction is to be invoked by the seller manually. Please provide specific portions of the specification which support these new claims or cancel above claims." On page 20 of the answer, the examiner withdraws the portion of the rejection under 35 U.S.C. § 112, first paragraph, with respect to manual invoking of the auction process.

Appellant asserts (brief, page 25) that the specification (page 18) recites that a user may schedule the consignment node to execute the auction, and argues that an artisan would understand the term "schedule" to encompass time-related parameters such as start/end times, duration and the like. Appellant (brief, page 27) additionally points to the passage of page 10 that recites: "[t]he consignment node user arranges by invoking the appropriate consignment node program a time and date for an electronic auction. ... For example, a pawn shop operator

of a consignment node may have several Rolex watches he wishes to auction with reserve this Saturday night at 7:00p.m."

From our review of the specification, we find that in addition to the portions of the specification relied upon by appellant, that the specification additionally recites (page 11) that during an auction, if no higher bid is received for a predetermined amount of time, the auctioning of the particular product is closed. From the disclosure of scheduling the auction, closing the auction when no further bids are received, and programming the time and date for the auction, we find that the originally filed disclosure reasonably conveys to an artisan that the seller may input information relating to the start/end time, immediate start and duration of the auction. Although we agree with the examiner that the specific language of these features do not appear verbatim in the specification, there is no requirement under 35 U.S.C. § 112, first paragraph, that the terms in the claims exactly appear in haec verba in the specification.

From all of the above, we find that the examiner has failed to establish a prima facie case of lack of adequate written description of the claimed invention. Accordingly, the rejection

of claims 148-151, 154-157, 160-163, 166-169, 172-175, 178-181, 184-187, 190-193, 196-199, 202-205, and 213-216 under 35 U.S.C. § 112, first paragraph, is reversed.

We turn next to the rejection of claims 11, 13, 16, 18-23, 33, 35, 39-41, 43-45, 49, 50, 54, 55, 64-70, 74-85, 90, 93, 96, 133-146, and 148-218 under 35 U.S.C. § 103(a) as unpatentable over Salmon in view of Sharp and Wright. In rejecting claims under 35 U.S.C. § 103, it is incumbent upon the examiner to establish a factual basis to support the legal conclusion of obviousness. See In re Fine, 837 F.2d 1071, 1073, 5 USPQ2d 1596, 1598 (Fed. Cir. 1988). In so doing, the examiner is expected to make the factual determinations set forth in Graham v. John Deere Co., 383 U.S. 1, 17, 148 USPQ 459, 467 (1966), and to provide a reason why one having ordinary skill in the pertinent art would have been led to modify the prior art or to combine prior art references to arrive at the claimed invention. Such reason must stem from some teaching, suggestion or implication in the prior art as a whole or knowledge generally available to one having ordinary skill in the art. Uniroyal, Inc. v. Rudkin-Wiley Corp., 837 F.2d 1044, 1051, 5 USPQ2d 1434, 1438 (Fed. Cir. 1988); Ashland Oil, Inc. v. Delta Resins & Refractories, Inc., 776 F.2d

281, 293, 227 USPQ 657, 664 (Fed. Cir. 1985); ACS Hosp. Sys., Inc. v. Montefiore Hosp., 732 F.2d 1572, 1577, 221 USPQ 929, 933 (Fed. Cir. 1984). These showings by the examiner are an essential part of complying with the burden of presenting a prima facie case of obviousness. Note In re Oetiker, 977 F.2d 1443, 1445, 24 USPQ2d 1443, 1444 (Fed. Cir. 1992). If that burden is met, the burden then shifts to the applicant to overcome the prima facie case with argument and/or evidence. Obviousness is then determined on the basis of the evidence as a whole. See id.; In re Hedges, 783 F.2d 1038, 1039, 228 USPQ 685, 686 (Fed. Cir. 1986); In re Piasecki, 745 F.2d 1468, 1472, 223 USPQ 785, 788 (Fed. Cir. 1984); and In re Rinehart, 531 F.2d 1048, 1052, 189 USPQ 143, 147 (CCPA 1976).

The examiner's position (answer, page 5) is that Salmon teaches a method for conducting sales over the Internet comprising receiving at a communication handler program executing on a host computer information from a seller corresponding to an item for sale, and including a designation of a category. Salmon processes the information into a presentation format including an indication of the category of an item and a product ID. The examiner additionally asserts (id.) that Salmon additionally receives information from the seller relating to a subcategory

for the item and a verbal and/or graphical description of the item. Turning to Sharp, the examiner asserts that Sharp teaches an on-line auction which accepts messages concerning collectibles for sale from participants. The examiner asserts (answer, page 6) that it would have been obvious to have used the on-line auctioning of Sharp as a replacement of the sales in Salmon

"since the sellers have a possibility of receiving more money than the asking price or base price for the items thereby providing incentive to users to choose auctioning over brokering." The examiner additionally argues (id.) that in the alternative, it would have been obvious to have used the buyers and sellers interfaces of Salmon in the system of Sharp

"since the system of Salmon would have provided an automated system for inputting information into the database of Sharp and would have provided a more enhanced auctioning system by providing users with more information in terms of graphics/multimedia thereby promoting use by the public."

Turning to Wright, the examiner asserts that Wright teaches accepting input relating to scheduling an auction and teaches that the seller includes a price of the item (minimum reserve or bid) and advertising. The examiner's position is that it would have been obvious to have allowed the seller to set the

scheduling of the auction and conducted the auction based on the schedule, in the systems of Salmon and Sharp. The examiner continues (answer, pages 6 and 7) by making fifteen consecutive assertions of what the examiner considers to have been obvious to an artisan, for none of which does the examiner point to any teaching in the references for support for the examiner's position. In none of these fifteen assertions of obviousness does the examiner specifically refer to any claim (or claims) of the more than 100 claims included in this ground of rejection.

Appellant asserts (brief, pages 7-9) that the unsupported and conclusionary opinions of the examiner fail to establish a prima facie case of obviousness of the claimed invention, and that the examiner's subjective belief and unknown authority for asserting motivation is improper. Appellant further argues (brief, pages 9 and 10) that the examiner's alternative motivation for combining the teachings of Salmon and Sharp is a hindsight reconstruction to piece together references using appellant's own claims as a blueprint, and that the PTO must point to objective teachings in the record to suggest the desirability of the combination. It is further argued (brief, page 15) that the claimed computer-implemented Internet auction

initiated by scheduling information received from the seller is not disclosed or suggested by the references.

With respect to Salmon, appellant asserts (brief, pages 15-17) that Salmon is directed to a knowledge-based system that helps buyers with the decision-making process, and that Salmon makes no mention of on-line auctions or any other exchange for actually transacting electronic commerce. Appellant points out that Salmon does not disclose how a final transaction would be achieved, how goods would be paid for, shipped, etc. It is further argued (brief, page 17) that Salmon fails to disclose conducting auctions on the Internet based at least in part on scheduling information received from the seller.

With respect to Sharp, appellant argues (brief, page 17) that the so-called "on-line" auction is conducted in part by receiving E-mail messages from buyers and sellers. Appellant argues that Sharp fails to disclose or suggest conducting auctions on the Internet in which a host computer receives input from a seller relating to scheduling an auction, and then uses that information, at least in part, for conducting an auction over the Internet. Appellant further asserts (brief, page 18) that the PTO is mistaken in asserting that the "auctioning" in Sharp is interchangeable with the "brokering" allegedly disclosed

in Salmon. It is argued (id.) that an artisan would have no motivation to substitute Sharp's "auction" for the "brokerage" of Salmon because the two represent an apples-oranges comparison. Moreover, appellant argues (brief, page 19) that Sharp requires human intervention to maintain security and integrity of the auctions, because messages received from sellers are kept private until they are read and transferred to the network. In addition, in Sharp, the coins submitted by sellers are checked for authenticity and accuracy of the asking price before they are transferred to the auction part of the database.

With respect to Wright, appellant argues (brief, pages 20 and 21) that Wright fails to cure the deficiencies of Sharp and Salmon. Although Wright allows the seller to set the day of the auction, Wright fails to disclose or suggest a computer-implemented method for conducting auctions on the Internet, in which the computer system receives input from the seller relating to scheduling the auction, and then uses that information, at least in part, for conducting an auction for the item over the Internet. Appellant further argues (brief, page 21) that the PTO has failed to identify any legally proper basis for combining Wright with the other references because the only motivation provided (providing sellers with more control and accommodating

their needs) is classic hindsight and lacks support in the evidentiary record.

From our review of Salmon, we find that Salmon is directed to a system for brokering goods and services (col. 1, lines 8 and 9). The invention provides for a computer-implemented system for facilitating any transaction where review of diverse information is part of a buyer's decision-making process (col. 1, lines 18-24), by providing an expert system-based, networked computer system. The system includes buyers and sellers interfaces. The seller's interface allows sellers to input information into the database. The buyer's Interface provides a knowledge-based interactive protocol, enabling the buyer to select and review descriptive information in the database (col. 1, lines 33-37). The knowledge-based protocol includes an approximate-comparison system, for presenting to the buyer, goods or services that approximately match selection criteria entered into the buyer's Interface (col. 1, lines 63-66). The compiled information is presented to the buyer with the assistance of an expert system that selects relevant information in accordance with selected criteria (col. 2, lines 9-11). Uses of the system include purchase or rental of real estate, automobiles, etc.; purchase or rental of consumer goods; hiring of personnel, and exploration of

travel, colleges, business opportunities, etc. As shown in figure 1, the buyer's interface 500 assists the buyer in selecting likely product profiles from database 200, and in evaluating and comparing products to make a purchase decision. In the example of personnel search, the candidate is interviewed by the seller's Interface 300 to supply information for his Product Profile (col. 3, lines 22-24 and 28-30). With further reference to the personnel search example, as shown in figures 2a-2d, the Profile Template includes information such as the candidate's name 204, address 206 and phone number 208, last position 210, compensation 212, and education 214 (col. 3, line 63 through col. 4, line 3). Figures 2d-2f show how information describing the candidates might be stored in table 260, a table 270 of Functions, and table 280 of Skill Set (col. 4, lines 58-61). Referring to figure 3b, the seller's Interface presents a series of questions such as questions regarding the candidate's most significant accomplishment in their previous job (col. 6, lines 46-53). Referring to figures 4a-4c, the seller's Interface presents levels of expanded characteristics for more-detailed selection (col. 7, lines 8-10). Figure 7e shows profile charts for three candidates. Figure 7g shows a candidate resume. Figure 7j shows a score card displaying a numerical score for

each candidate for each characteristic of the Product Profile (col.12, lines 56-59). Figure 7m shows a Profile Summary and Action Plan for each of the candidates. In addition, an action log records the buyers scoring decisions, and any reasons for rejection. For example, the Action Log could report the number of candidates presented, and reasons for rejecting a large number of candidates (col. 13, lines 13-25). The Action Log is the basis for billing for system services, as both buyers and sellers pay a subscription fee for access to the system. Charges could also be made for connection time, database storage, etc. Each match that results in a completed transaction could also incur a charge to the buyer or seller (col. 13, lines 61-67). The Seller's or Buyer's Interface could be run on the seller's or buyer's personal computer in a standalone mode with a diskette mailed back to the buyer with Product Profile hits (col. 14, lines 14-19). It is also contemplated that the system could be operated over the Ethernet, Wan, etc.

Turning to Sharp, we find that Sharp is directed to an "on-line" auction that is stored and operated on an IBM Personal computer AT, which has been programmed to carry out the tasks needed to conduct on-line auctions and straight sales. The auctions are for coins and other collectibles. The system is

accessible to anyone with a computer terminal and a modem. In operation, users enter their bids in the form of messages. A toll-free number connects the user with the database for a one time fee and a monthly charge. Messages are completely private until Mintz or Blankley read them and transfer them to the network. The database has several different "auctions" or "trading floors." Collectors send messages offering their coins, then ship the coins in advance of the auction date. Blankley has them checked for authenticity and for the accuracy of the asking price. They are then stored in a bank vault and the message is transferred onto the auction portion of the database. If the coin is not acceptable, it is returned to the seller. The Company has advertised in USA Today.

Turning to Wright, we find that Wright is directed to real estate auctions. Wright discloses that with an auction, sellers can set the day they would like their property to sell. Wright discusses the differences between sealed-bid, reserve and absolute auctions. Wright additionally discloses making bidders aware through the use of brochures, advertisements and announcements. We find no disclosure in Wright relating to computer-implemented auctions.

From the disclosure of Salmon, we agree with appellant (brief, pages 15-17) that Salmon is directed to a knowledge-based system for assisting a buyer in making decisions, and find no disclosure in Salmon relating to a computer-implemented auction.

Two criteria have evolved for determining whether prior art is analogous: (1) whether the art is from the same field of endeavor, regardless of the problem addressed, and (2) if the reference is not within the field of the inventor's endeavor, whether the reference still is reasonably pertinent to the particular problem with which the inventor is involved. In re Clay, 966 F.2d 656, 658-59, 23 USPQ2d 1058, 1060 (Fed. Cir. 1992). See also In re Deminski, 796 F.2d 436, 442, 230 USPQ 313, 315 (Fed. Cir. 1986); In re Wood, 599 F.2d 1032, 1036, 202 USPQ 171, 174 (CCPA 1979). Because Salmon is not directed to a computer-implemented auction and does not relate at all to the auctioning of goods, we find that Salmon is non-analogous art, unrelated to either appellant's field of endeavor i.e., computer-implemented auctions, or to any problem reasonably related to the problem that appellant has solved, i.e, conducting the auction, at least in part, based upon seller input relating to scheduling the auction.

From the disclosure of Sharp, we find that Sharp is analogous art because Sharp is related to the nationwide auctioning of collectible goods, in a system that is programmed on a computer, and is accessible to anyone with a computer and modem who pays to join the service.

From the disclosure of Wright, we find that Wright relates to auctioning of real estate, and is not directed to computer-implemented auctions. Thus, because Wright is directed to auctions of real estate, and is not directed to a computer-implemented auction, we find that Wright is non-analogous art unrelated to either appellant's field of endeavor or to any problem reasonably related to the problem that appellant has solved. Because Salon and Wright are non-analogous art, we find no teaching or suggestion that would have motivated an artisan to combine the teachings of these references with the disclosure of Sharp. In addition, while Sharp discloses an on-line auction, operated on a nationwide basis, Sharp relies upon Blankley and Mintz to review the messages before transferring them to the network. This is done for security purposes. In addition, in Sharp, users call the system and bid through the use of messages called in, and sellers ship their products for authentication and verification before they are listed in the system. Thus, sharp

does not disclose the use of seller input relating to scheduling the auction, for use, at least in part, in conducting the computer-implemented auction, as required by each of the independent claims 11, 20, 33, 40, 43, 49, 54, 55, 133, 146, and 212. In addition, with respect to the fifteen consecutive statements of obviousness made by the examiner, that we referred to, supra, the examiner's subjective assertions of what would have been obvious to an artisan is not a substitute for evidence in the record. See In re Zurko, 258 F.3d 1379, 1386, 59 USPQ2d 1693, 1697 (Fed. Cir. 2001), and In re Lee, 277 F.3d 1338, 1345, 61 USPQ2d 1430, 1435 (Fed. Cir. 2002). The deficiencies of the cited references cannot be remedied by general conclusions about what the examiner considers to essentially be basic knowledge or common sense to one of ordinary skill in the art. As the examiner's assessments (answer, pages 5 and 6) are not based on any evidence in the record, the examiner's unsupported opinion lacks substantial evidence support. To support the examiner's opinions of obviousness, the examiner needs to point to some concrete evidence in the record in support of these findings. To hold otherwise would render the process of appellate review for substantial evidence on the record a meaningless exercise. See Baltimore & Ohio R.R. Co. v.

Aderdeen & Rockfish R.R. Co., 393 U.S. 87, 91-92 (1968)

(rejecting a determination of the Interstate Commerce Commission with no support in the record, noting that if the Court were to conclude otherwise "[t]he requirement for administrative decisions based on substantial evidence and reasoned findings -- which alone make effective judicial review possible -- would become lost in the haze of so-called expertise").

From all of the above, we find that the examiner has failed to establish a prima facie case of obviousness of claims 11, 13, 16, 18-23, 33, 35, 39-41, 43-45, 49, 50, 54, 55, 64-70, 74-85, 90, 93-96, 133-146, and 148-218 under 35 U.S.C. § 103(a). Accordingly, the rejection of claims 11, 13, 16, 18-23, 33, 35, 39-41, 43-45, 49, 50, 54, 55, 64-70, 74-85, 90, 93-96, 133-146, and 148-218 under 35 U.S.C. § 103(a) is reversed.


In addition, with respect to the rejection of claims 12, 14, 15, 17, 24, 25, 34, 36-38, 42, 46-48, 51-53, 71-73, 85-89, 91, 92, 98, 99, and 147, for which the examiner additionally relies upon "Internet Providers Take Next Step Toward Electronic Commerce," Debenedictis, or Keithley, we reverse the rejection of these claims as these references fail to make up for the deficiencies of Salmon, Sharp and Wright. Although we find,

sua sponte, that figures 28-32 of Debenedictis relate to application of Debenedictis' invention to a computerized on-line auction, we find no disclosure in Debenedictis relating to the use of seller input regarding scheduling of the auction being used, at least in part, to conduct an auction. In addition, Keithley refers to use of his method of accessing industry specific information with auctions (col. 1, line 32); discloses the auctioning of real property (col. 6, lines 32-34); discloses allowing Real Estate Agents access to privileged information not available to the public, including notations entered into the file by listing agents, that relate to Auction Profiles (col. 8, lines 20-25); and auction information from property profile databases relating to auctions (col. 10, lines 58-64). However, we find no teaching or suggestion in Keithley relating to the use of seller input regarding scheduling of the auction being used, at least in part, to conduct an auction.

CONCLUSION

To summarize, the decision of the examiner to reject claims 148-151, 154-157, 160-163, 166-169, 172-175, 178-181, 184-187, 190-193, 196-199, 202-205, and 213-216 under 35 U.S.C. § 112, first paragraph is reversed. The decision of the examiner to reject claims 11-25, 33-55, 64-99, 133-218 under 35 U.S.C. § 103(a) is reversed.

REVERSED


KENNETH W. HAIRSTON
Administrative Patent Judge

Jerry Smith
JERRY SMITH
Administrative Patent Judge

Stuart S. Levy
STUART S. LEVY
Administrative Patent Judge

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Appeal No. 2003-1088
Application No. 09/253,014

Page 25

FISH & RICHARDSON, P.C.
12390 EL CAMINO REAL
SAN DIEGO, CA 92130-2081

Exhibit G

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Patent Application of)	
)	
Thomas G. Woolston)	Group Art Unit: 2763
)	
Application No.: 09/253,021)	Examiner: D. Smith
)	
Filed: February 19, 1999)	
)	
For: FACILITATING INTERNET)	
COMMERCE THROUGH)	
INTERNETWORKED AUCTIONS (as)	
amended))	

Assistant Commissioner for Patents
Washington, D.C. 20231

AMENDMENT

Sir:

In response to the office action mailed June 7, 2000, please amend the application as follows:

IN THE CLAIMS

Please cancel claims 26-37 and 51-55 without prejudice or disclaimer.

Please amend claims 17-25, 38 and 39 as follows:

17. (amended) An automated [A] method, performed by a computer-based auction system, for enabling a seller to auction [auctioning an] a uniquely identified item [with a computerized electronic database of data records on the internet] via the Internet to one or more potential buyers, the method comprising:

requiring the seller to establish a seller's account, the seller's account being based at least on the seller's identity and a financial instrument associated with the seller,

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receiving information from the seller including a description of an item offered for auction by the seller;

creating a data record containing a description of [an item, said] the item based on the information received from the seller, the data record connoting an ownership interest by the seller in the item, the data record being stored in a [in said item to a seller participant on said] computerized electronic database [of said data records] maintained by the computer-based auction system;

generating an identification code to uniquely identify the [said] item;

scheduling an auction for [said item at] the item, the auction to be hosted by the computer-based auction system [said computerized database of records];

presenting [said] the item for auction to an audience of participants through a worldwide web mapping module executing in conjunction with the [said] computerized database, the [said] worldwide web mapping module translating information from the [said] data record [on said computerized database of records] to a hypertext mark up language format for presentation through the Internet [internet];

receiving bids on the [said] item from participants via [on] the Internet [internet] through an auction process that executes in conjunction with the [said] computerized database [of data records];

terminating the [said] auction for the [said] item when the [said] auction process encounters [reaches] predetermined criteria;

notifying a winning [an] auction participant that the winning auction participant has entered a [of the] high bid in the [said] auction process; [and]

providing the [said] unique identification code to the winning [said] auction participant [with said high bid] to uniquely identify the [said] item; and
charging a fee to the seller's account based on an amount of the high bid.

18. *(amended)* The method of claim 17 further comprising:
accepting payment information from an [said] auction participant before
accepting bids at the [said] auction process from the [said] auction participant.

19. *(amended)* The method of claim 17 further comprising:
contracting with the [said] seller [participant] to create a binding offer to auction
the [said uniquely identified] item through [said] auction process.

20. *(amended)* The method of claim 17 further comprising:
providing payment instructions to the winning auction [said internet] participant
[with said high bid] in the [said] auction process.

21. *(amended)* The method of claim 18 wherein the [said] payment information
comprises [is] credit card payment information and further comprising:
processing the [said] credit card payment information to authorize [said] payment
before accepting a bid from the [said] auction participant.

22. *(amended)* An apparatus for conducting fully automated simultaneous
Internet [internet] auctions, the apparatus comprising:

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a computer system operationally connected to the Internet [internet];

a process executing on the computer system for automatically establishing a seller's account based on information received from a seller, the seller's account being based at least on the seller's identity and a financial instrument associated with the seller;

a storage device operationally connected to the [said] computer system, the [said] storage device storing [having] a database of data records, each [said] data record [records] identifying an item to be auctioned [for auction on the internet] by the [said] computer system;

a data interface operationally connected to the [said] computer system, the [said] data interface providing [an] electronic connectivity [connection] between [said] the computer system and the Internet [internet];

a worldwide web-to-database mapping module, the [said] worldwide web-to-database mapping module providing a link between a hypertext mark up language page server and the [said data] storage device [having data records of said items for auction];

an electronic mail module operationally connected to the [said] data interface and executing on the [said] computer system, the [said] electronic mail module providing an information link to the [a] seller of the [an] item for auction [that is] represented by the [said] data record stored by the [of said item for auction in said data record on said] data storage device; [and]

the [said] computer system executing an auction program that schedules multiple simultaneous auctions of items [for auction on the internet], the [said] auction program automatically determining an opening bid for a particular item and determining whether the particular auction is with or without reserve; and

a process executing on the computer system for automatically charging the seller's account a fee amount corresponding to a result of the auction.

23. *(amended)* The apparatus of claim 22 further comprising:

a transaction processing module connected to the data interface, the [said] transaction processing module receiving payment information from participants of the [said] multiple simultaneous auctions.

24. *(amended)* The apparatus of claim 22 further comprising:

a tracking code generator module connected to the [said] data interface, the [said] tracking code generator module generating tracking codes to uniquely track [said] items for auction.

25. *(amended)* The apparatus of claim 23 further comprising:

an accounting module connected to the [said] transaction processing module, the [said] accounting module maintaining the sellers' accounts for sellers in the multiple simultaneous Internet auctions [financial accounts for said seller of an item for auction at said simultaneous internet auction apparatus].

38. *(amended)* A method, performed by a computer-based auction system, for auctioning used goods and collectibles using [with] a computerized electronic database of data records maintained by the auction system, the method comprising:

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requiring a seller to establish a seller's account, the seller's account being based at least on the seller's identity and a financial instrument associated with the seller,

creating a data record containing a description of a unique used or collectable good, the [said] data record connoting an ownership interest by the seller in the [said] unique used or collectable good [to an entity on said computerized electronic database of said data records];

entering in the [said] data record a reserve price for the [said] unique used or collectable good;

scheduling an auction for the [said] unique used or collectable good, the auction being hosted by the computer-based auction system [at said computerized electronic database of records];

presenting the [said] used or collectable good for auction to an audience of participants through a worldwide web mapping module executing in conjunction with the [said] computerized electronic database of records, the [said] worldwide web mapping module translating information from the [said] data record [on said computerized electronic database of records] to a hypertext mark up language for presentation via the Internet to the [said] audience of participants [through the internet];

receiving bids at the auction system via the Internet for the [said] unique used or collectable good from participants [on the internet at said computerized electronic database of data records];

terminating the [said] auction for the [said] unique used or collectable good when an auction process [executing in conjunction with said computerized electronic database of

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records] reaches a predetermined termination point [at said computerized electronic database of data records]; [and]

debiting the seller's account for a fee amount corresponding to a result of the auction; and

notifying a winning [an] auction participant of a [the] successful high bid [at said computerized electronic database of data records].

39. *(amended)* An apparatus for conducting fully automated simultaneous Internet [internet] auctions, the apparatus comprising:

a computer system operationally connected to the Internet [internet];

a process executing on the computer system for automatically establishing a seller's account based on information received from a seller, the seller's account being based at least on the seller's identity and a financial instrument associated with the seller;

a storage device operationally connected to the [said] computer system, the [said] storage device storing [having] a data record in a database of data records, wherein the [said] data record identifies an item to be auctioned by the computer system via the Internet [a good for auction on the internet by said computer];

a data interface operationally connected to the [said] computer system, the [said] data interface providing [an] electronic connectivity [connection] between the [said] computer system and the Internet [internet];

a worldwide web-to-database mapping module, the [said] worldwide web-to-database mapping module providing a link between a hypertext mark up language page server and the [said] storage device [having data records of said goods for auction];

an electronic mail module operationally connected to the [said] data interface and
executing on the [said] computer system, the [said] electronic mail module providing an
information link to the [a] seller of the item [a good] for auction [that is] represented by the
[said] data record stored by the [of said good for auction in said data record on said] storage
device; [and]

the [said] computer system executing an auction program that schedules multiple
simultaneous auctions of items [goods for auction on the internet], the [said] auction program
automatically determining an opening bid for a particular item [good] and determining whether
the particular auction is with or without reserve, the [said] auction program providing auction
results via the [said] electronic mail module to the [said] seller and a highest bid auction
participant; and

a process executing on the computer system for automatically charging the
seller's account a fee amount corresponding to a result of the auction.

Please add new claims 63-103 as follows:

—63. (new) A computer-implemented method of facilitating Internet-based auctions, the
method comprising:

requiring a seller to establish a seller's account, the seller's account being based at least
on the seller's identity and a financial instrument associated with the seller;
initiating an Internet-based auction for an item offered by the seller; and
debiting the seller's account for a fee amount corresponding to a result of the auction.

64. (new) The method of claim 63 wherein requiring the seller to establish a seller's
account comprises:

receiving account information from seller, the received account information comprising identity information and financial instrument information;
verifying the account information received from the seller; and
establishing a seller's account for the seller.

65. *(new)* The method of claim 63 wherein the financial instrument comprises a credit card, a debit card or a debit account.

66. *(new)* The method of claim 63 further comprising receiving item information from the seller, the received item information comprising a description of an item offered for auction by the seller.

67. *(new)* The method of claim 66 wherein the received item information further comprises an item category designated by the seller.

68. *(new)* The method of claim 66 further comprising creating a data record based on the received item information.

69. *(new)* The method of claim 63 wherein initiating the auction for the seller's item comprises:

receiving item information from the seller, the received item information including a description of an item offered for auction by the seller;
creating a data record based on received item information;
mapping the created data record to an Internet-compatible format; and
presenting the item to one or more potential bidders.

70. *(new)* The method of claim 69 further comprising:
receiving at least one bid from the one or more potential bidders; and
terminating the auction upon occurrence of a predetermined event.

71. *(new)* The method of claim 70 wherein the predetermined event comprises a lapse of a time duration.

72. *(new)* The method of claim 70 wherein the predetermined event comprises the receipt of a final high bid.

73. *(new)* The method of claim 70 wherein the predetermined event comprises receiving a bid that meets a seller-specified reserve price.

74. *(new)* The method of claim 63 wherein debiting the seller's account comprises: automatically calculating the fee amount based on a result of the auction; and automatically charging the calculated fee amount to the seller's financial instrument associated with seller's account.

75. *(new)* The method of claim 63 wherein the fee amount is based, at least in part, on a final sales price of the item.

76. *(new)* The method of claim 63 wherein the fee amount is based on a percentage of a final sales price of the item.

77. *(new)* The method of claim 63 wherein the fee amount represents a seller's commission paid to an entity hosting the Internet-based auction.

78. *(new)* The method of claim 63 wherein the fee amount is based on one or more parameters other than final sales price of the item.

79. *(new)* The method of claim 63 wherein debiting the seller's account occurs upon conclusion of the auction.

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80. (new) The method of claim 63 wherein debiting the seller's account occurs prior to conclusion of the auction.

81. (new) The method of claim 63 wherein debiting the seller's account is independent of a sales transaction between the seller and a buyer of the item.

82. (new) The method of claim 63 wherein the seller must establish a seller's account before the seller is allowed to initiate auctions.

83. (new) The method of claim 63 further comprising:
after establishing a seller's account, receiving item information from the seller describing an item to be auctioned;
prior to initiating an auction, automatically generating a data record corresponding to the seller's item to be auction; and
wherein the Internet-based auction for the item offered by the seller is initiated automatically based on the automatically generated data record.

84. (new) The method of claim 63 wherein the computer-implemented method of facilitating Internet-based auctions is performed by a computer-based auction system under a first entity's control, and wherein the method further comprises:
requiring the seller to establish the seller's account comprises verifying the seller's identity and the financial instrument information;
receiving information from a computer system independently operated by the seller, the received information describing an item to be auctioned; and
wherein the Internet-based auction for the seller's item is initiated while the item remains outside of the first entity's possession.

85. (new) The method of claim 84 wherein the Internet-based auction for the seller's item is initiated while the item remains outside of the first entity's control.

86. *(new)* The method of claim 84 wherein the Internet-based auction for the seller's item is initiated while the item remains in the seller's possession and control.

87. *(new)* A computer-based auction system for facilitating Internet-based auctions, the auction system comprising:

- (a) a computer system in communication with the Internet and capable of executing a plurality of substantially simultaneous processes;
- (b) one or more processes executing on the computer system to perform the following:
 - (i) establish a seller's account based on information received from a seller, the seller's account being based at least on the seller's identity and a financial instrument associated with the seller;
 - (ii) initiate an auction instance based on information received from the seller describing an item offered for auction by the seller; and
 - (iii) charge the seller's account a fee amount based on the initiated auction instance.

88. *(new)* The auction system of claim 87 wherein the initiated auction instance comprises an independent auction instance executing substantially simultaneously with a plurality of other auction instances.

89. *(new)* The auction system of claim 87 wherein the one or more processes executing on the computer system are capable of automatically generating a plurality of independent auction instances that execute substantially simultaneously.

90. *(new)* The auction system of claim 87 wherein the initiated auction instance is specific to a particular item or to a lot of related items.

91. *(new)* The auction system of claim 87 wherein the initiated auction instance is specific to a particular seller.

92. (new) The auction system of claim 87 wherein the initiated auction instance corresponds to a plurality of unrelated items.

93. (new) The auction system of claim 87 wherein the initiated auction instance corresponds to a plurality of unrelated sellers.

94. (new) The auction system of claim 87 wherein the fee amount charged to the seller's account represents a seller's commission.

95. (new) The auction system of claim 87 wherein the fee amount charged to the seller's account depends on a final sales price of the item being auctioned.

96. (new) The auction system of claim 95 wherein the fee amount charged to the seller's account comprises a percentage of the final sales price of the item being auctioned.

97. (new) The auction system of claim 87 wherein the financial instrument associated with the seller comprises a credit card, a debit card or a debit account.

98. (new) The auction system of claim 87 wherein initiating an auction instance comprises:
automatically generating a data record corresponding to the seller's item to be auctioned;
and
automatically initiating the auction instance based on the automatically generated data record.

99. (new) The auction system of claim 87 wherein:
the computer-based auction system is under a first entity's control;
the information describing the item offered for auction is received from a computer system independently operated by the seller, and

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the auction instance for the seller's item is initiated while the item remains outside of the first entity's possession.

100. (new) The auction system of claim 99 wherein the auction instance for the seller's item is initiated while the item remains outside of the first entity's control.

101. (new) The auction system of claim 99 wherein the auction instance for the seller's item is initiated while the item remains in the seller's possession and control.

102. (new) A computer-implemented method of conducting Internet-based auctions, the method comprising:

receiving account information from a seller, the received account information identifying the seller and a financial instrument associated with the seller;

automatically establishing a seller's account based on the received account information, the seller's account being associated with the seller from whom the account information was received;

receiving item information from the seller, the received item information comprising a description of an item to be offered for auction by the seller;

automatically generating a data record corresponding to the item to be offered for auction based on the received item information;

automatically mapping the generated data record to an Internet-compatible presentation format;

automatically initiating an auction for the item, the initiation of the auction including making available for presentation via the Internet the mapped Internet-compatible presentation format;

receiving via the Internet at least one bid for the item from one or more bidders;

automatically terminating the auction upon occurrence of one or more predetermined events;

automatically notifying a winning bidder of winning the item at a final bid price;

automatically calculating a fee amount to be charged the seller based on the final bid price; and

automatically debiting the seller's account for the calculated fee amount.

103. (new) An automated method, performed by a computer-based auction system, for conducting multiple simultaneous person-to-person auctions via a computer auction system connected to a data packet network via the word wide web in a fully automated, topically arranged system that can be searched by topical categories, and wherein sellers and buyers are automatically and immediately notified via email when an auction is completed, the computer-based auction system being under the control of a first entity, the method comprising:

establishing a seller's account in the computer-based auction system wherein the seller, via an independently operated seller's computer system, specifies a financial instrument against which a seller's commission may be automatically charged by the computer-based auction system;

after establishing the seller's account, receiving via the data packet network from the seller a description of an item offered for auction, the received description including a category selected from a list of categories provided by the auction system;

in response to receiving a description of an item for auction from a seller, generating a unique tracking identifier for the item;

displaying, in response to a search request from a buyer, the description of the item for auction in a presentation format via the world wide web, the display including advertisements that generate revenue for the auction system;

automatically auctioning the item for auction posted by the seller, the auction being conducted while the item for auction remains outside of the first entity's possession;

receiving at least one bid for the item for auction from at least one bidder via a world wide web interface;

automatically calculating a seller's commission based on the final bid price for the item for auction; and

automatically charging the seller via the seller's account the calculated seller's commission.—

REMARKS

The helpful consideration shown by Examiners Smith and Teska during the personal interview conducted on July 26, 2000, is noted with appreciation. As agreed during the interview, the foregoing amendments clearly distinguish the claims over the art of record. Accordingly, reconsideration and allowance of this application are requested. In addition, because this application previously was withdrawn from issue by the USPTO, expedited handling and issuance are earnestly solicited.

Claims 17-25, 38, 39 and 63-103 are now pending with claims 17, 22, 38, 39, 63, 87, 102 and 103 being independent. Claims 26-37 and 51-55 have been cancelled, claims 17-25, 38 and 39 have been amended, and claims 63-103 are newly presented for examination.

For the reasons set forth at pages 2-15 of the office action, claims 17-39 and 51-55 were rejected under 35 USC 103(a) as allegedly being unpatentable over various combinations of "Save the Earth," "Computer Museum," "Experimental Market Economics," "Army Knives to Gold Coins," Nahan (U.S. Patent No. 5,664,111) and multiple assertions of "official notice", both express and implicit, made throughout the office action. These rejections, their underlying rationale, and the assertions of official notice are traversed in their entirety.

However, without conceding the propriety of the Examiner's position, and solely to expedite allowance and issuance, each of the independent claims has been amended to include a "seller's account" feature. For example, independent claim 17 as presented recites an automated method, performed by a computer-based auction system, in which the seller is required to establish a seller's account, which is based at least on the seller's identity and a financial instrument associated with the seller, and which is charged a fee based on an amount of a high bid. Support for this feature can be found in the specification, figures and claims, among other locations, at page 8, line 24 through page 9, line 1; page 9, lines 11-14; page 16, lines 9-16; page 22, lines 10-19; Figures 2 and 7; claim 25 and cancelled claims 30 and 32. Each of the other independent claims - 22, 38, 39, 63, 87, 102 and 103 - recites a corresponding seller's account feature. Accordingly, all pending claims are allowable over the art of record at least for this reason.

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As explained and agreed during the interview, the cited references – whether taken alone or in combination – fail to teach or suggest a seller's account feature as recited in the claims. Each of Save the Earth, Computer Museum and Army Knives to Gold Coins discloses a "single-entity" auction in which only a single entity (for example, the sponsoring organization) effectively is auctioning items. Accordingly, there is no teaching or suggestion, or reason for having, sellers' accounts in those auctions. In particular, the statement at page 2, paragraph 1, of From Army Knives to Gold Coins regarding instructions on how users may sign up does not teach or suggest requiring a seller to establish a seller's account that is charged a fee based on an amount of a winning high bid, as recited in independent claim 17.

The remaining references – Experimental Market Economics and Nahan – also fail to disclose or suggest requiring a seller to establish a seller's account that is charged a fee based on an amount of a winning high bid as recited in independent claim 17. Moreover, a person of skill in the art would not have been motivated to combine the teachings of any of the cited auction references (Save the Earth, Computer Museum and Army Knives to Gold Coins) with either of Experimental Market Economics or Nahan.

As its title suggests, Experimental Market Economics relates to a theoretical academic exercise. Consequently, a skilled artisan seeking to develop an online auction system would be discouraged from looking to Experimental Market Economics because it would provide little, if any, guidance in the practical logistics of developing or operating a commercial auction system.

Similarly, Nahan relates to a multimedia presentational and marketing system in which customers in an art dealers' gallery can view images of another art dealer's inventory. A person of skill would properly have regarded Nahan as inapplicable to, and unhelpful in developing, an online auction system. Among other reasons, an artisan seeking to develop an auction system would be discouraged from looking to Nahan because Nahan denigrates auctions as being inadequate for Nahan's intended purpose. See, e.g., Nahan at column 4, lines 23-26.

Accordingly, at least for the foregoing reasons, a skilled artisan would have a disincentive to look to the teachings of Experimental Market Economics or Nahan, and thus neither of these references can properly be combined with Save the Earth, Computer Museum or Army Knives to Gold Coins. Claim 17 is allowable over the cited references also for this additional reason.

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The noted differences from the cited references provides the auction method of claim 17 with several advantages. For example, requiring a seller to establish a seller's account helps ensure the validity and identity of sellers using the auction system. Further, establishing a seller's account that can be charged a fee based on an amount of a high bid (e.g., a seller's commission) helps protect the financial interests of the entity controlling the auction system.

Accordingly, independent claim 17 is allowable at least for the foregoing reasons. As noted above, each of the remaining independent claims – 22, 38, 39, 63, 87, 102 and 103 – has been amended to recite a corresponding seller's account feature, and thus is allowable at least for that reason. Each of the remaining claims depends directly or indirectly from one of the independent claims. These dependent claims are allowable at least for the reasons that their respective independent claims are allowable and for reciting allowable subject matter in their own right. Independent consideration and allowance of the dependent claims are requested.

Lastly, applicant submits that the Examiner's statements of official notice are improper. As explained in MPEP 2144.03, official notice can properly be used only to establish facts that capable of "instant and unquestionable demonstration as being well-known." In re Ahlert, 424 F.2d 1088, 1091 (CCPA 1970). Moreover, official notice may be used only to "fill the gaps" and cannot be used as "the principal evidence upon which a rejection is based," Ahlert, 424 F.2d at 1088, or as the motivation for combining or modifying references. Ex Parte Grochowski, No. 95-1343, slip op. at 5 (Bd. Pat. App. & Int. June 27, 1995). Accordingly, applicant hereby challenges the Examiner's assertions of official notice and other various assertions of fact appearing throughout the office action. However, because agreement was reached during the interview regarding claim amendments that place the application in condition for allowance, the improper statements of official notice are moot. If, however, the Examiner continues to reject the claims, applicant submits that the explicit and implicit assertions of official notice must be retracted or supported by citation to appropriate prior art references. In that event, applicant further reserves the right to provide additional or more specific rationale traversing the Examiner's assertions in the office action.

BD0004812


Amendment
Serial No. 09/253,021

July 28, 2000
Page 19

In view of the foregoing amendments and remarks, this application is in condition for allowance, and a notice thereof is requested.

Respectfully submitted,

BURNS, DOANE, SWECKER & MATHIS



Richard J. McGrath
Reg. No. 29, 195

Date: July 28, 2000

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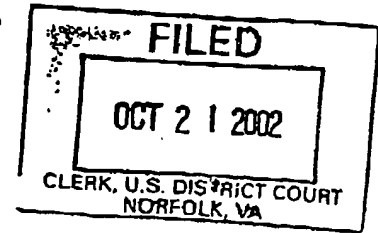
BD0004813

Exhibit H

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014

IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
Norfolk Division



MERCEXCHANGE, L.L.C.,

Plaintiff,

v.

Civil Action No. 2:01cv736

eBAY, INC., et al.,

Defendants.

ORDER AND OPINION

On May 30, 2002, the court heard oral argument on a number of Motions for Summary Judgment filed by the parties in this case. On July 10, 2002, the court issued an Opinion with respect to two of the Motions, and deferred issuing a ruling on the remaining three Motions until the outcome of the Markman¹ hearing, which was held on July 30 and 31, 2002. Based on the court's Opinion on the Markman issues, the court is prepared to issue an Opinion on the outstanding Motions for Summary Judgment. These Motions include defendant eBay's Motion for Summary Judgment that all claims of U.S. Patent No. 6,202,051 ("the '051 patent") are invalid for an inadequate written description; plaintiff MercExchange's Cross-Motion for Summary Judgment that all claims of the '051 patent are valid for an adequate written description; and defendant Half.com's Motion for Summary Judgment that claims 1-9 and 29-41 of U.S. Patent No. 6,085,176 ("the '176 patent") are invalid pursuant to 35 U.S.C. §§ 102(a) and/or 102(g). For the reasons more fully articulated below, the court GRANTS in part and DENIES in part eBay's Motion, GRANTS in part and DENIES in part the plaintiff's Cross-

¹ Markman v. Westview Instruments, Inc., 52 F.3d 967, 976 (Fed. Cir. 1995), aff'd, 517 U.S. 370, 116 S. Ct. 1384 (1996).

Motion, and DENIES Half.com's Motion.

I. Factual Background

The court dispenses with the factual and procedural background in this Opinion, as it is explicitly detailed in the court's October 18, 2002 Order and Opinion ("Markman Opinion").

II. Standard of Review

In patent cases, as well as in all other cases, summary judgment is appropriate when it is apparent from the entire record, viewed in light most favorable to the non-moving party, that there are no genuine disputes of material fact. See Clark v. Alexander, 85 F.3d 146, 150 (4th Cir. 1996); see also Celotex Corp. v. Catrett, 477 U.S. 317, 322-24, 106 S.Ct. 2548 (1986); United States v. Diebold, 369 U.S. 654, 655, 82 S. Ct. 993 (1962). When a court declines to grant summary judgment, sufficient evidence must exist favoring the nonmoving party which would allow a reasonable jury to return a verdict for that party. See Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 250, 106 S.Ct. 2505 (1986).

A properly supported motion for summary judgment may not be defeated by "the mere existence of some alleged factual dispute between the parties." Id. at 247-48. The requirement is that there are no genuine issues of material fact. See id. Entry of summary judgment is mandated "against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial." Celotex, 477 U.S. at 322. Although an infringement analysis usually involves both questions of fact and issues of law, summary judgment of noninfringement may still be proper. See Nike, Inc. v. Wolverine World Wide, Inc., 43 F.3d 644, 646 (Fed. Cir. 1994); Chemical Eng'g Corp. v. Essef Indus., Inc., 795 F.2d 1565, 1571 (Fed. Cir. 1986). A good faith dispute

about the meaning and scope of asserted claims does not, in and of itself, create a genuine dispute to preclude summary judgment in patent cases. See Lantech, Inc. v. Keip Mach. Co., 32 F.3d 542, 546 (Fed. Cir. 1994).

All issued patents are presumed valid by statute. 35 U.S.C. § 282. This presumption of validity extends to all bases for challenging a patent's validity. See Panduit Corp. v. Dennison Mfg. Co., 810 F.2d 1561, 1570 (Fed. Cir. 1987). "When a patent has been examined and duly granted, judicial review must give due weight to the presumption of validity. The presumption of validity is based on the presumption of administrative correctness of actions of the agency charged with examination of patentability." Applied Materials, Inc. v. Advanced Semiconductor Materials Am., Inc., 98 F.3d 1563, 1569 (Fed. Cir. 1996) (citations omitted). However, "[t]he courts are the final arbiter of patent validity and, although courts may take cognizance of, and benefit from, the proceedings before the patent examiner, the question is ultimately for the courts to decide, without deference to the rulings of the patent examiner." Quad Envtl. Tech. Corp. v. Union Sanitary Dist., 946 F.2d 870, 876 (Fed. Cir. 1991). "The underlying determination of invalidity, however, must be predicated on facts established by clear and convincing evidence." Rockwell Int'l Corp. v. United States, 147 F.3d 1358, 1362 (Fed. Cir. 1998).

III. Defendant eBay's Motion for Summary Judgment and Plaintiff's Cross-Motion for Summary Judgment

There are two Motions regarding the '051 patent that remain pending. Defendant eBay's Motion for Summary Judgment that all claims of the '051 patent are invalid for an inadequate written description, pursuant to 35 U.S.C. § 112 ¶ 1, and the plaintiff's Cross-Motion for Summary Judgment that all claims of the '051 patent are valid for an adequate written

description. In its July 10, 2002 Order and Opinion, the court deferred its ruling on these Motions until after the Markman hearing. Based on the claims constructions in the court's Markman Opinion, the court GRANTS in part and DENIES in part the defendant's Motion, and GRANTS in part and DENIES in part the plaintiff's Motion.

A. Written Description Standard

Section 112 requires that "[t]he specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains ... to make and use the same." 35 U.S.C. § 112, ¶ 1; see also Johnson Worldwide Assoc., Inc. v. Zebco Corp., 175 F.3d 985, 993 (Fed. Cir. 1999) The Court of Appeals for the Federal Circuit has held that "[t]he question is not whether a claimed invention is an obvious variant of that which is disclosed in the specification. Rather, a prior application itself must describe an invention, and do so in sufficient detail that one skilled in the art can clearly conclude that the inventor invented the claimed invention as of the filing date sought." Lockwood v. American Airlines, Inc., 107 F.3d 1565, 1572 (Fed. Cir. 1997). "[A]n applicant complies with the written description requirement 'by describing the invention, with all its claimed limitations' ... using 'such descriptive means as words, structures, figures, diagrams, formulas, etc., that set forth the claimed invention.'" Regents of the Univ. of Cal. v. Eli Lilly & Co., 119 F.3d 1559, 1566 (Fed. Cir. 1997) (quoting Lockwood, 107 F.3d at 1572). However, "[i]n order to satisfy the written description requirement, the disclosure as originally filed does not have to provide in haec verba support for the claimed subject matter at issue." Purdue Pharma L.P. v. Faulding, Inc., 230 F.3d 1320, 1323 (Fed. Cir. 2000); accord Lockwood, 107 F.3d at 1572. "[T]he test for sufficiency of support in a

patent application is whether the disclosure of the application relied upon 'reasonably conveys to the artisan that the inventor had possession at the time of the later claimed subject matter.'" Ralston Purina Co. v. Far-Mar-Co. Inc., 772 F.2d 1570, 1575 (Fed. Cir. 1985) (quoting In re Kaslow, 707 F.2d 1366, 1375 (Fed. Cir. 1983)). "It is not sufficient for purposes of the written description requirement of § 112 that the disclosure, when combined with the knowledge in the art, would lead one to speculate as to modifications that the inventor might have envisioned, but failed to disclose." Lockwood, 107 F.3d at 1572.

B. Defendant's Motion

Defendant eBay argues that two terms, which arise in numerous claims of the '051 patent, are not adequately supported by the written description. Specifically, the defendant contends that the plaintiff's original application filed in April of 1995, see U.S. Patent Application No. 08/427,820, Def.'s Mot., Dkt. 46, Ex. 1 ("Application"), did not contain a description of a "seller's account" or the process of "debiting a seller's account a commission or fee," which are the bases for claims 1, 6, 10, 11, 12, 36, 51, and 52 of the '051 patent. The defendant contends that the inventor did not include any reference to a "seller's account" until after he had been an eBay user for two years. The court will address each of these terms separately.

1. Seller's account

The defendant contends that the inventor did not envision a seller's account when the Application was filed, and points to page 8 of the Application, where the plaintiff specified that the "buyer, hereinafter participant" could access the consignment node system." Application at p. 8, l. 7. From this, the defendant argues that only buyers can be participants in the system because by specifically defining a participant to be a "buyer," the plaintiff precluded participant

from including "seller." Moreover, the defendant contends that the written description is devoid of any reference to a seller's account, claiming that the inventor did not add that feature until after viewing it on eBay's website.

In support of its position that a "seller's account" has an adequate written description, the plaintiff provides declarations by two professors of computer and information science who are allegedly qualified to address their testimony to those of ordinary skill in the art of electronic networking, auctioning systems and commerce. These individuals have identified at least 15 instances where the plaintiff's Application discloses that a participant can be a buyer, seller, or both. See e.g., Application at p. 3, l.10 ("Participants, e.g., customers and collectors (hereinafter 'participants'..."); *id.* at p. 4, l. 23 - p. 5, l. 3 ("By the interaction of a plurality of participants buying and selling collectibles on a consignment node, posting 'buy at' and 'sell at' quantities and prices the consignment node may establish a market or become a 'market maker' for collectable goods.")). Furthermore, the plaintiff argues that the language of claim 12 of the original application supports a seller's account, which by itself provides adequate written description support. See Union Oil Co. of Cal. v. Atlantic Richfield Co., 208 F.3d 989, 998 (Fed. Cir. 2000). The plaintiff also contends that because it used the word "participants" interchangeably throughout the application in referring to buyers, sellers, or both, the written description is adequate. See Johnson Worldwide, 175 F.3d at 993 (holding that the written description did support the invention because, *inter alia*, the patentee used the term "heading" "interchangeably throughout the written description to refer to both the direction of the trolling motor and the direction of the boat.")).

This court has recently held that the term seller's account means a list of monetary

transactions associated with the seller. See Markman Opinion, pp. 14-15. Based on this construction, it appears that the disclosure in the Application reasonably conveys to those of ordinary skill of the art at the time that the inventor was in possession of the idea for a seller's account, even though the precise term "seller's account" is not mentioned. See, e.g., Application at p. 8, ll. 20-22 ("a participant may establish an account with his local consignment node to be debited and credited with the funds used and generated with his transactions."); id. at p. 25, ll. 11-12 ("It is understood that a consignment node user may have established a credit or deposit account for the participant from past sales or transfer of funds..."). Therefore, the court finds that there is an adequate written description for the term "seller's account." As such, the court denies the defendant's Motion for Summary Judgment in that the claims with a "seller's account" limitation are adequately supported in the written description. Furthermore, with respect to the plaintiff's Cross-Motion for Summary Judgment, the court grants the Motion insofar as the term "seller's account" has an adequate written description.

2. Debiting a seller's account a commission or fee

The defendant also argues that the Application does not contain any language regarding debiting a seller's account a commission or fee; rather, it envisions a buyer paying the consignment node operator, who would then take his commission and pay the agreed amount to the seller. The plaintiff disagrees, arguing that there is adequate support for debiting a seller's account a commission or fee, directing the court to many of the same references cited above. In this court's Markman Opinion, it held that the term debiting a seller's account means to record a debt against a person's name or account. See Markman Opinion, pp. 23-24. The Application, on the other hand, envisions the consignment node operator removing the commission from the

sales price of the good prior to crediting the seller's account with the proceeds from the sale. See, e.g., Application at p. 9, ll. 14-16 ("For each transaction, the consignment node user extracts the small consignment fee, e.g., 6% of the sales price, thus the consignment node user directly benefits from operating a reputable consignment node."); id. at p. 25, ll. 18-20 ("After the transaction clears the charge 404, the consignment node credits the consignment node users commission account 406 to extract the consignment node transaction fee."). Therefore, it appears to this court that the claim language "debiting a seller's account the commission or fee from a transaction" is not adequately supported by the written description. As such, the court grants the defendant's Motion for Summary Judgment in that the claims specifying "debiting a seller's account" are not adequately supported in the written description. Likewise, the court denies the plaintiff's Cross-Motion for Summary Judgment with respect to the claims which contain this limitation.

C. Plaintiff's Cross-Motion

The plaintiff filed a Cross-Motion for Summary Judgment, asking this court to declare that all claims of the '051 patent are valid under 35 U.S.C. § 112, ¶ 1. The plaintiff has cited no additional case law or facts in support of its motion, rather it relies on its arguments in response to the defendant's Motion for Summary Judgment.

In response, the defendant argues that the plaintiff's motion is simply a "red herring" and "nothing more than a thinly-veiled attempt to get the last word in hopes of bolstering its opposition." See Def.'s Opposition, Dkt. 106, p. 26. The defendant argues that it limited all of its deposition questions to the narrow issue of seller's accounts. Moreover, the defendant states that the plaintiff has failed to offer evidence that all of its claims are supported by the written

description. For example, the defendant points out that the plaintiff has failed to supply evidence that the '051 patent adequately describes terminating an auction when a bid meets a seller-specified reserve price, as required by claim 22.

In its reply the plaintiff argues that defendant eBay is now arguing a situation where the buyer and seller engage in a transaction outside the system. Furthermore, the plaintiff argues that defendant Half.com conceded to the PTO, during a prosecution of its own patent application, that the plaintiff's written description does disclose that participants are both buyers and sellers. However, these arguments are not relevant to the Cross-Motion, which seeks a ruling that all claims of the '051 patent are adequately supported by the written description. The plaintiff's request far exceeds any of the arguments and evidence presented to the court. As such, the plaintiff has not met its burden to show that all claims in the '051 patent are adequately described in the application. Therefore, the court denies the plaintiff's Cross-Motion for Summary Judgment. As stated earlier, the court grants the plaintiff's Cross-Motion with respect to the term "seller's account" only.

IV. Defendant Half.com's Motion for Summary Judgment

This Motion for Summary Judgment, brought by defendant Half.com, argues that claims 1-9 and 29-41 of the '176 patent are invalid pursuant to 35 U.S.C. §§ 102(a) and/or 102(g). The thrust of the defendant's argument is that nine months before the inventor filed his application for the '176 patent, a computer programmer named Keith Basil, working at Internet Presence and Publishing, Inc., developed and implemented the same methods set forth in the asserted claims of the '176 patent. In other words, the defendant argues that the system described in the '176 patent was in public use before the original application was filed in April of 1995. See 35 U.S.C.

§ 102(a). Furthermore, the defendant contends that these claims are also invalid because Mr. Basil and his company did not abandon, suppress, or conceal the public use of the prior system. See id. at § 102(g). As a result, the defendant argues, the above-listed claims of the '176 patent are invalid.

Section 102(a) provides that "[a] person shall be entitled to a patent unless the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for the patent." Id. at § 102(a). Section 102(g) allows a patent to issue unless "(1) ... another inventor ... establishes ... that before such person's invention thereof the invention was made by such other invention and not abandoned, suppressed, or concealed, or (2) before such person's invention thereof, the invention was made in this country by another inventor who had not abandoned, suppressed, or concealed it...." Id. at § 102(g). If a prior art reference falls into one of these categories, then the court must determine whether the prior art teaches or anticipates the claims of the later patent.

A. Is MESCH Prior Art?

The defendant argues that Mr. Basil invented a program called Internet Shopkeeper and a search function program called MESCH (Multi-WAIS Engine for Searching Commercial Hosts), which was conceived in August of 1994 and in public use as of October of 1994. The MESCH system allowed a user in Mr. Basil's Internet Shopkeeper to search the participating web sites for keywords entered by the user. ¹As such, the defendant argues that this invention qualifies as prior art under section 102(a). Furthermore, the defendant contends that the MESCH system concept was published on internet bulletin boards and presented at internet conferences. Thus, the defendant argues, the MESCH system was not abandoned or concealed from the public and

therefore qualifies as prior art under section 102(g). Based on the evidence provided, the court finds that the MESCH system is prior art under sections 102(a) and/or 102(g).

B. Did MESCH Anticipate the '176 Patent?

The next task the court must undertake is to decide whether the MESCH system anticipates claims 1-9 and 29-41 of the '176 patent. "Invalidity based upon lack of novelty (often called 'anticipation') requires that the same invention, including each element and limitation of the claims, was known or used by others before it was invented by the patentee." Oney v. Ratliff, 182 F.3d 893, 895 (Fed. Cir. 1999) (quotation omitted); see also Apple Computer, Inc. v. Articulate Sys., Inc., 234 F.3d 14, 20 (Fed. Cir. 2000) ("Anticipation under 35 U.S.C. § 102 requires the disclosure in a single piece of prior art each and every limitation of a claimed invention."); Union Oil, 208 F.3d at 994-95 (same). "Although anticipation is a question of fact, it still may be decided on summary judgment if the record reveals no genuine dispute of material fact." Oney, 182 F.3d at 895. Furthermore, "the [prior art] reference must be enabling and describe the applicant's claimed invention sufficiently to have placed it in possession of a person of ordinary skill in the field of the invention." In re Paulsen, 30 F.3d 1475, 1479 (Fed. Cir. 1994). In order to prevail on anticipation, the defendant must prove its case by clear and convincing evidence. Union Oil, 208 F.3d at 995.

As with all literal infringement cases, the court must first determine the scope of the claims. In this case, the court has already performed this task, and has held that item is a good and electronic market is a trusted network or system where participants can buy, sell, search or browse goods online. See Markman Opinion, pp. 28-31. Thus, based on these constructions, the court turns to whether the MESCH system anticipates each and every limitation in the contested.

claims of the '176 patent. It appears that while the MESCH system did anticipate searching a plurality of electronic markets, it did not anticipate searching for goods only. Three of the Internet Shopkeeper participant web sites, Automatrix, Internet Plaza and Oslonett.no, were electronic markets in that they were computerized systems that allowed participating buyers and sellers to exchange information about prices and product offerings. However, it appears to this court that the MESCH system did not limit its searches to goods, but rather searched for words, regardless of their context. One example offered by the plaintiff states that if a customer were searching for a computer monitor to purchase, the '176 system would search for computer monitors that were available for purchase in a plurality of databases. In contrast, it appears that the MESCH system would look for the words "computer" and "monitor" on a number of registered web pages and return sites that listed these words, which could be in the context of an article that mentions computers or monitors. This would not be considered an item, as defined by this court. Therefore, there exists a genuine dispute of material fact over whether the MESCH system anticipated each and every element of the claims of the '176 patent. As such, Half.com's Motion for Summary Judgment is denied.²

V. Conclusion

For the reasons set forth above, the court GRANTS in part and DENIES in part defendant eBay's Motion for Summary Judgment that the claims of the '051 patent are invalid for an inadequate written description. The court also GRANTS in part and DENIES in part the

² The court also believes that the MESCH system did not anticipate a trusted network. However, since the prior art must anticipate each and every element of the claim, and because the court found that one limitation in the '176 claims was not anticipated, it need not continue to the other elements for purposes of this Motion.

plaintiff's Cross-Motion for Summary Judgment that all claims of the '051 patent are valid for an adequate written description. Finally, the court DENIES defendant Half.com's Motion that claims 1-9 and 29-41 of the '176 patent are invalid pursuant to 35 U.S.C. §§ 102(a) and/or 102(g).

The Clerk is **REQUESTED** to send a copy of this Order to counsel of record.

It is so **ORDERED**.


UNITED STATES DISTRICT JUDGE

Norfolk, Virginia
October 21, 2002

Exhibit I

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014

April 26, 1995

Box Patent Application
Honorable Commissioner of Patents and Trademarks
Washington, D.C. 20231

Re: New U.S. Patent Application
Docket No.100

Dear Sir:

Transmitted herewith for filing is the patent application of inventor:

THOMAS G. WOOLSTON

For **CONSIGNMENT NODES**

• This application includes 37 total numbered pages comprising:

<u>30</u>	pages of Specification
<u>6</u>	pages of Claims
<u>1</u>	page Abstract
<u>11</u>	sheets of informal drawings (Figures 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11)

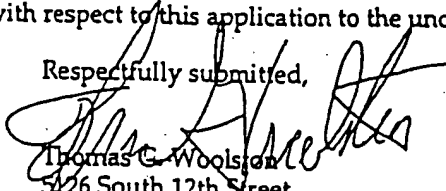
Also Enclosed are:

- Declaration.
- Small Entity Declaration for Independent Inventor
- Personal Check no. 898 as payment of the requisite filing fee. The filing fee was calculated as indicated below.

	No. Filed	Basic	No. Extra	Basic Fee Rate	\$ 365.00
Total Claims	20	-20	0	x \$11.00	\$ 0.00
Independent Claims	3	- 3	0	x \$38.00	\$ 0.00
Assignment Recordation fee				\$ 0.00	\$ 0.00
Total Enclosed					\$ 365.00

Please direct all future correspondence with respect to this application to the undersigned.

Respectfully submitted,


Thomas G. Woolston
5226 South 12th Street
Arlington, Virginia 22204

Enclosures

ME 0032283

**DEFENDANT'S
EXHIBIT**

273

CONSIGNMENT NODES

BACKGROUND OF THE INVENTION

The present invention relates to used and collectible goods offered for sale by an electronic network of consignment stores. More specifically, the present invention may be an electronic "market maker" for collectable and used goods, a means for electronic "presentment" of goods for sale, and an electronic agent to search the network for hard to find goods.

Certain items and used goods have a large following of collectors.

These items include baseball cards, dolls, pens, watches, comic books, stamps, 10 coins, and the like. It is well known to establish shops specializing in these items. It is also well-known to establish boards for the sale of used goods.

And is known to sell new goods on a special television channel like the Home Shopping Channel.

The prior art does not provide a means to electronically market used 15 goods or provide an avenue to allow participants to speculate on the price of collectable or used goods in an electronic market place. Thus, to address the short comings of the art the present invention has the following objectives:

SUMMARY OF THE INVENTION

To establish a computer means for a used good store or consignment 20 store to sell used goods and collectibles electronically and to provide the automatic electronic re-sale of goods purchased.

To establish a market for goods with a dominant electronic "market maker" node to allow collectors to speculate on the collectable goods market.

ME 0032284

To provide the excitement of a "live" auction house type atmosphere to remote participants in a electronic auction.

To provide data analysis to the market makers of collectable good or consignment node users on the price, price movements, and quantity of
5 collectable goods in the virtual market.

To provide an electronic agent interface for participants to search a plurality of consignment nodes to search for a used good or collectable item.

To provide a means to track down the owner of a particular used or collectable good.

10 Further, to provide a trusted network of consignment nodes to provide a means to electronically present a used good or collectable to an electronic market.

The present invention is a network of consignment nodes. A consignment node is a computer database of used goods preferably operated
15 by a used good, collectable shop keeper or a bailee. All consignment nodes users or operators, hereinafter users, are "trusted" licensees or franchisers of the software and hardware necessary to create and operate a consignment node. Thus, the network provides a trusted means for consignment node users, e.g. shop keepers, to establish electronic markets for collectable goods,
20 establish electronic auctions, establish a means for searching each others shops to locate hard to find collectibles items, and a means to electronically present goods to a market. The present invention will allow, or license,

certain consignments nodes to become a dominant market maker for a particular class of goods, for example, a consignment node franchise may be given the rights to establish the dominant market for collectable antique pens.

Other consignment nodes, after taking physical possession of a good, may
5 make an electronic presentment of that good to such a dominant consignment node market. Thus, a local collector of antique pens may bring a pen to a convenient consignment node in small town, USA, the consignment network would allow this collector to electronically "present" his pen to the dominant market make node for antique pens in for example, Chicago.

10 Participants, e.g. customers and collectors (hereinafter "participants"), may reach a dominant node's market, or any other consignment nodes electronic store, from his or her home by logging on from a PC located at the participant's home to their locally operated consignment node and reaching the distant consignment node through the network of consignment nodes.

15 Thus, each consignment node user, e.g. shop keeper, has a potential participant, i.e. customer base, of all consignment node participants. In other words, a potentially huge customer base that incurs the minimal cost of a local consignment node connection may reach any other consignment node through the consignment node network. And local collector's may

20 economically participate in the collectable markets by using local access to a convenient consignment node "trusted" bailee, and electronically presenting collectable goods to a dominant market.

A consignment node in a simple form may have a computer 10, a digital camera 12, a bar code scanner 14, a display 16, a printer 20, a keyboard 18, a database 22 and a network connection 26 collectively called hereinafter a consignment node. The present invention also has a user interface application program to execute on a user or participant's data terminal 28.

The consignment node may have four modes of operation: a software download mode, an auction mode, a market mode, and an agent mode. The software download mode allows a participant to log into the consignment node and receive a download of a participant interface application program.

10 The auction mode allows a participant, from the participant interface application program, to log into a consignment node to partake in an electronic auction. The market mode allows a participant with the participant interface program to log into a consignment node to browse the consignment node database to search for a used or collectable good. The agent mode allows

15 a participant to log into a consignment node to formulate a search request for a particular used good or collectable. The consignment node may search its own database for the requested good and/or generate agents to search and report back a search request of other consignment nodes.

The present invention may allow a participant to electronically

20 purchase goods from a consignment node and to select whether the good should be shipped to a participant designed location or the participant may take electronic legal ownership of a good and post a new participant defined offer or reserve price. By the interaction of a plurality of participants buying

and selling collectibles on a consignment node, posting "buy at" and "sell at" quantities and prices the consignment node may establish a market or become a "market maker" for collectable goods. A participant may also elect to electronically transfer or present a good to a different consignment node or market. This allows a participant to speculate with collectable goods on the consignment node network's different markets and not incur the shipping costs with physically moving the goods, while providing a trusted means to assure potential buyers of the good's bona fide availability.

The consignment node operator or purveyor, hereinafter referred to as the consignment node user, establishes his consignment node by creating a database of used goods or collectibles, hereinafter the term "goods" shall be used to reflect used goods, new goods and collectibles. The user takes the first good to be put on the database and invokes the consignment node software to create a data record. For example, the user owns a baseball card collector shop and the user wants to post his Babe Ruth collection. The user in this instance invokes the consignment node to "build the database mode" and the invention initializes the digital camera 15. The user then "photographs" or digitizes the image of the particular Babe Ruth card. The consignment system then displays an empty database record on the display to accept text information concerning the card.

The user fills out the display record with information concerning the particular Babe Ruth card. The consignment node verifies that enough information has been filled out in the displayed computer record, as well

known to the electronic database arts, and accepts the record. It should be noted that the consignment node database record has data fields for the consignment node user to add value to his consignment node postings with subjective information such as condition of the card, special features such as s autographed by Babe Ruth, and the like. Thus, the consignment node user may build business goodwill into his particular consignment node operation by establishing his own particular subjectivity and quality standards in item postings.

After the data record or the particular Babe Ruth card is accepted by the
10 consignment node the system may print out a bar code label on the printer 20.

The user may then put the particular Babe Ruth card into a plastic bag and affix the bar code label to the bag. The bar code labeling system becomes a useful inventory management tool discussed below.

It is understood in this first example that the consignment node user is
15 the legal and equitable owner of the Babe Ruth card and that the user posted a reserve or offer price on the particular card at his posting. In a second illustrative example, a local resident would like to post, for example, his Frank Robinson baseball card. The resident brings his Frank Robinson card to the baseball card store and tells the consignment node user he would like to
20 offer his Frank Robinson card for a consignment sale. Again, the consignment node user invokes the system database posting mode and "photographs" the Frank Robinson card with digital camera 12. As above, the user fills in the system generated display prompt for information

concerning the Frank Robinson card. The resident informs the user of the reserve or offer price and signs or agrees to a consignment contract with the consignment node user to accept the consignment terms to pay the consignment node user on the sale of the card, for example 6%, of sales price as a consignment fee. Again, the system may print the appropriate bar code for the Frank Robinson card. The consignment node user then takes possession of the card and may affix the bar code label to an appropriate cardholder. It should be noted by the consignment node user may again "add value" to his consignment node by entering subjective criteria in the database entry for authenticity, condition, special attributes and the like. The participant or local resident may now electronically present his Frank Robinson card to any consignment node, consignment node auction or consignment node market maker in the consignment node network.

These processes may be repeated again and again to establish a substantial database of goods for sale. It should be noted that the consignment node user may at his discretion take postings from reputable dealers or collectors via a facsimile machine or other forms of electronic or verbal presentment of a good for sale. It is within the sound discretion of an individual consignment node user to establish these practices. It is within the scope of the invention, however, to take electronic postings from other consignment node users or individuals over the network, as discussed below. Each consignment node user may be a franchisee of a central franchiser and the franchiser may police the network to give quality control, detect fraud and

revoke the franchises or licenses of poor quality consignment node users.

Thus, the consignment node is a "trusted" network for consignment node users providing value to the network by imposing a quality and performance structure on the consignment nodes.

5

The Sale

A buyer, hereinafter participant, may electronically log onto a consignment node via a network connection by use of a PC with participant interface software, through an interactive television application, workstation
10 or the like. The network connection drivers for the consignment node are discussed in detail below. The participant may enter the browse node and peruse the consignment node database of goods. It is understood that the participant may receive the image taken with a digital camera 12 of the goods at the participant terminal. The participant, upon finding for example the
15 above-posted Frank Robinson card may decide to purchase the card. The participant may present electronic payment to the consignment node by entering a credit card number and expiration date or other forms of electronic payment. It is understood that a secure and/or encrypted means may be established between a participant's interface application and a consignment
20 node to transfer sensitive or theft prone information. Moreover, a participant may establish an account with his local consignment node to be debited and credited with the funds used and generated with his transactions.

The consignment node may, for example, clear the transaction by

charging the participant's charge card account and crediting the consignment node store account by well-known credit card clearing techniques. After the consignment node has cleared the transaction the system electronically transfers ownership of the Frank Robinson card to the participant. The participant may then be presented with the choice of directing the delivery of the Frank Robinson card to a desired location or may choose to post a new reserve or offer price for the card and direct the card to remain in the possession of the consignment node user. Thus, the consignment node allows a participant to speculate on the price of the Frank Robinson card and establishes an electronic market for the Frank Robinson card. It is understood that the consignment node may have many Frank Robinson cards available, thus by the interaction of collectors electronically buying and selling the collectibles it will establish a market price for a Frank Robinson card or any other good. For each transaction, the consignment node user extracts the small consignment fee, e.g., 6% of the sales price, thus the consignment node user directly benefits from operating a reputable consignment node. If the participant elects to take delivery of the purchased goods then the consignment node may track the delivery and ownership of this good to this particular participant in a data record. This data record may be useful to speed the posting of the good, should the participant later decide to re-post and sell the good, and it also creates a valuable database of records to track the possession and ownership of a collectable. This feature may be useful in the agent mode, e.g., tracking down very hard to find items, discussed more fully

below.

The Auction

For a rare good, a good in a volatile market, or a good's initial posting the consignment node user or participant may wish to auction the good, with
5 or without reserve, to the highest bidder. In this mode, the good may be posted on the consignment node by the means described above but the data record representing the good is identified as waiting for an auction date and may not be purchased on the electronic market. Alternatively, an item may be in the electronic market of the consignment node with a high reserve price
10 that may be lowered in the auction or liquidation mode. Here the consignment node user or the good's participant owner may enter a protected data field a confidential reserve price for the auction mode. The consignment node user arranges by invoking the appropriate consignment node program a time and date for an electronic auction. The consignment node user or good's
15 participant owner may establish, in a data record that represents the good, a desire for the item to be auctioned. For example, a pawnshop operator of a consignment node may have several Rolex watches he wishes to auction with reserve this Saturday night at 7:00 p.m. The consignment node user, here a pawnshop, identifies on the Rolex watch records the auction date and
20 the confidential reserve price. The consignment node system may "advertise" auction dates, items and auction terms in the consignment node log on welcome message discussed below. Moreover, a good that is identified as awaiting an auction date may be viewed before auction in the consignment

node browse mode by a perspective auction participant.

At the auction date, perspective participants log onto the consignment node auction mode locally or through the consignment node network and await the first good to be auctioned. It is understood that in the best mode of the invention the participant will have a data terminal with a digital to analog converter such as a "sound blaster" and speaker, the digital to analog capability may be used in the auction mode to bring the aural excitement of an auction, e.g., the call of the heckler, the caller and bidders, home to the auction participant. This is discussed in more detail below.

10 The consignment node takes the first item to be auctioned and posts the image of the good and the good's text record to the participants. The consignment node then posts the opening bid. It is understood that the bid postings may be in a protocol that invokes the generation of an auctioneer's voice at the participant terminals. The participants may then respond with a
15 higher bid. The consignment node mode scans electronically the participants for bids and accepts the highest bid. If bids are tied the consignment node may take the first highest bid by the participants log on order. A particular bidding participant receives a special acknowledgment from the consignment node that her bid was accepted. The consignment node then posts the higher bid to
20 all the electronic auction participants. The consignment node repeats this process until no higher bid is received for a predetermined amount of time and closes the auctioning of that particular good. The consignment node then checks whether the highest bid received is greater than the reserve price,

if appropriate. The consignment node may then post sold! and the sell price to all participant terminals and proceed to post the next item for auction.

Again a successful purchaser may elect to direct delivery of the good or post the good on the electronic market at a new participant determined offer price.

5 It is understood that the terms of the auction sale are posted and agreed to by the participants before allowing a participant to bid on goods in compliance with local requirements and statutes. It is also understood that a participant may make electronic payment for the goods or establish a line of credit or collect on delivery terms within a particular consignment node
10 user's discretion. This may be established by a relationship between a local consignment node user and a local participant at the local consignment user's discretion.

It should be noted that a consignment node user may sell virtual advertising space or a central master node e.g., the franchiser, may coordinate
15 the sale of advertising space on a pool of consignment nodes to reach target market participants. For example, if a participant has purchased or speculated in antique pens, and advertisers of an antique pen specially consignment node wishes to target market individuals on the network who have purchased collectable pens in the past. A central coordinated master node
20 may sell advertising to an advertiser for the log on message or e-mail targeted participants and users. Thus, the network of consignment nodes can establish a market for target marketing or blanketed advertising of goods and services sold locally or on a network level by a central node.

The Agent

The Agent Mode allows a consignment node participant to search a plurality of consignment nodes and purchase records for a used good. A participant may log onto his local consignment node to shop. This participant, for example, may be interested in purchasing a particular used coin for her collection. The participant may invoke a consignment node Agent to search the network of consignment nodes for this coin. The participant fills in the search parameters for this coin, for example, a 1872 U.S. 10 penny from the Denver Mint. The consignment node Agent task handler verifies the Agent form is sufficiently filled out and accepts the task. The Agent checks a list of other consignment nodes network addresses kept by the local consignment node database and generates an Agent communication message to each consignment node on the list and begins to establish 15 communications to the other consignment nodes. An Agent message between consignment nodes begins by coordinating or reconciling the database on each consignment node of the locations and/or address of other consignment nodes. If a consignment node has a different list of consignment nodes in its database it will pass the node update information to 20 the other consignment node. The consignment node originating the Agent task will generate a new Agent task to accommodate the information concerning the new consignment node. Once the consignment node database of consignment nodes is reconciled, the Agent will search the consignment

node database for the goods requested. The Agent will report back whether the search of the local market database was successful and how many good that matches the Agent search request it found. An Agent may also search the consignment node database of past transactions to identify an owner of a particular good. The Agent may then report that John Doe of Main Street, U.S.A. was the last known purchaser of a 1872 U.S. penny from the Denver Mint at this node. It is understood that differing levels of privacy are available to consignment node purchasers, so as only allowing the local consignment node user to view past purchaser information and/or provide the Agent with an option of contacting that consignment user so he may contact the prior purchaser, thus, protecting privacy while allowing bona fide offers to reach the prior purchaser in confidence.

Once some of the Agents start reporting back to the Agent originating consignment node, the originating consignment node may report the results to the consignment node participant of the Agents' results. Such results may give the total number of matching items found thus providing the local participant/collector an indication of the depth of this market. It is understood that a local consignment node user may charge participants for Agent requests.

20 Computer Implementation

In the preferred embodiment of the present invention a consignment node may use a multitasking operating system such as UNIX, OS/2 or VMS. However, a Microsoft DOS or Windows implementation is within the scope

of the present invention. The consignment node may be networked via TCP/IP and the internet or a private TCP/IP network or X.25 private or public network or service providers network of ISDN, ATM and the like. It is understood, that a consignment node may support a plurality of protocols simultaneously. Moreover, it is understood that the participant interface application program may execute on a wide variety of platforms such as PC's, MAC's, Power PC's, workstations, cable set-top boxes, video game hardware and the like and are within the scope of the present invention.

10 BRIEF DESCRIPTION OF THE DRAWINGS

Figure 1 shows the consignment node of the present invention may have a computer 10, a data storage device 22, a tape drive 24, a digital camera 12, a bar code scanner 14, a display 16, a keyboard 18, a laser printer 20, and a network connection 26. A participant user terminal is shown at 28.

15 Figure 2 shows a schematic block diagram showing the logic flow of a user log in at a consignment node.

Figure 3 is a schematic diagram showing the logical flow of the consignment node auction process.

Figure 4 is a schematic diagram showing the logical flow of the
20 consignment node market or browse mode.

Figure 5 is a schematic block diagram showing the logical flow for posting a new used good on the consignment node.

Figure 6 is a schematic diagram of a subroutine that may be used to post

auction bids.

Figure 7 is a schematic diagram of a subroutine that may be used by the consignment node auction process to receive participant auction bids.

Figure 8 is a schematic diagram showing the logical flow for a
5 subroutine that may be used to transfer ownership of an item.

Figure 9 is a schematic diagram showing the logical flow for a consignment node in-store sale of a good.

Figure 10 is a schematic diagram showing the logical flow of post-processing and analyzing consignment node sales.

10 Figure 11 is a schematic diagram showing the logical flow of the consignment node Agent handler subroutine.

DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENTS

It is understood that the get session identification procedure 100 is a
15 routine that monitors the communication ports and virtual communication ports residing on a protocol stack. The consignment node may use, for example, a X.25 interface card, available from Eicon Corporation or Frontier Corporation to execute an X.25 protocol stack in a PC workstation. The get session identification 100 program may monitor the X.25 protocol for
20 incoming calls. If the program identifies an incoming call it may answer the call by transmitting the appropriate X.25 packet to the network on the appropriate virtual channel. It is understood that other protocols, such as TCP/IP, DECNET, SNA and ATM are within the scope of the present

invention and that multiple protocol stacks may simultaneously execute in a consignment node. Therefore, the get session identification program 100 may have multiple instances to connect and monitor the various protocols. After the get session identification 100 has appropriately answered an incoming call
5 to the consignment node, it may invoke the display welcome message and menu routine 102.

It is understood that the get session identification 100 provides sufficient information to the display welcome message and menu 102 to allow the display welcome message and menu 102 to connect to the
10 appropriate session or virtual channel. At this juncture, if the participant is using an approved interface program, the interface program will send a predetermined code to indicate its version and other characteristics of its display driver. If a participant is logging in from a TTY terminal or other terminal the display welcome message and menu 102 may detect this
15 information and send the appropriate TTY welcome message. It is understood that the welcome message is viewed by the consignment node user as virtual advertising space that may be sold by the consignment node user or coordinated with the master control node (discussed in detail below). The participant may respond to the display welcome message and menu 102
20 program by giving an appropriate log on response 104. The get log on response 104 may verify and grant a level of access privileges to the participant. It is understood that the consignment node user may require the get log in response 104 to retrieve a credit card number, pin number, user ID

and the like, to grant access privileges. If a participant is using a TTY terminal those sessions may be shunted to the download interface program (DIP) 106 routine to receive an appropriate interface program from the consignment node. The DIP 106 may present a list of choices as to what version interface
5 program should be downloaded, such as DOS, Windows, UNIX, MAC platforms and what transfer program is desired such as Kermit, Xmodem, FTP and the like. A participant with a participant interface program may also elect to receive a new interface program from the DIP 106. It is understood that an older, no longer supported interface program participant may be
10 shunted to the DIP 106 to receive a new interface program.

A participant with a supported interface program may select the auction 108, market 110 or agent handler 112 sections of the consignment node. If a participant selects auction 108 the participant may be presented with a menu of auction selections such as auctions in session, future auction
15 times, dates, locations and topics, and auction preview. If a participant selects auctions in session the participants' session is passed to the appropriate auction handler, as discussed below. If a participant selects future auctions the participant will be given a list of future auction times, dates, terms, locations and topics of auctions on this and other consignment nodes. It is
20 understood that these displays represent a virtual advertising opportunity for the consignment node user and the advertising space may be sold by the consignment node user or by the master control node. If the participant selects the auction preview, the auction process 108 passes the participant

session to the market session 110 with data that indicates an auction preview desired by the user.

If the participant selects the market 110 choice the participant is given a menu of markets that the participants may browse, discussed further below.

5 If the participant selects the agent handler 112 the participant may be provided with an electronic form to create a search for a good. The participant may then execute this Agent's search request to search the network of consignment nodes databases to look for the desired goods. The Agent is discussed more fully below. The Agent Handler 112 also receives incoming
10 calls from other agents to process the external agents search request on the consignment node. The participant interface and consignment node participant functions are discussed in detail below. The discussion now turns to the operation of the consignment node by the user.

Figure 3 shows a logical flow diagram of the steps the consignment
15 node may use to create a database record of a good for sale or for auction.

The consignment node user may invoke the consignment node program to enter the posting 200 mode to create a data record for the good. The posting 200 mode initializes 204 the consignment node to receive information on a new good. The initialization 204 step displays a data record,
20 with data fields on the consignment node terminal for the user to fill in information on the good. The initialization step 204 also initializes the consignment node peripheral devices such as the digital camera 12 and the printer 20. The consignment node user then "photographs" or digitizes the

image of the good from one or more perspectives as well known to the digital camera arts. The consignment node receives the digitized image(s) at receive image 206 step. The consignment node program then prompts the consignment node user for information on the good 208. The consignment node receives information 210 that the consignment node user inputs to the data record displayed at step 208. The consignment node program verifies 212 that the necessary information, such as owners name, reserve price, market or auction designation is in the data record. The verify step 212 will reject the record and return the consignment node user data entry mode 210 if the record does not have the minimum information. If the record is verified 212 as complete enough to commit to the consignment node database, a data record is created 214 and linked into the consignment node database. The consignment node program then generates and prints a bar code 216 that indicated the data record. The bar code system is used by the consignment node to maintain an accurate inventory and is a hook for local sales (discussed below). The posting routine may then exit 218 and return from the posting program. By repeating the posting routine of figure 3 the consignment node user may build a database of goods for the consignment node market, auction and/or agent searches.

20 Figure 4 shows the logical block flow diagram of the processes the consignment node may take to execute an auction. It is understood that the consignment node user may manually invoke the auction process, or may schedule the consignment node to execute the auction process. The auction

process begins by initializing 250 the data structures, records, queues and the like to conduct the auction process. The connection between the auction process and auction participants is discussed below. The auction process gets the first item to be auctioned 252 from the database of goods to be auctioned 5 254. The consignment node then calculates the opening bid 256 by a predetermined formula such as 50% of the reserve or general solicitation of an opening bid is posted to the auction participants 258. The consignment node auction mode then scans the participants for a higher bids 262. If a higher bid is found the new bid is posted 264. It is understood that the steps of 10 checking for bids 260 determines if the bid is higher 262 and posting the new higher bid 264 is repeated until no higher bids are received. After the typical auction closing of going once ... twice ... three times the auction is closed 266. The consignment node auction program then compares the highest bid received with the good's reserve price 268 to determine whether to transact 15 the sale. If the highest bid is greater than the reserve price the consignment node auction process posts sold! for xxx amount to the auction participants and calls the transfer ownership subroutine 270 discussed further below, and transfers the ownership of the good. If the highest bid is less than the reserve price the consignment node auction process announces no sale! 272 to the 20 auction participants. The auction process then proceeds 274 to get the next good to be auctioned 278. The consignment node auction process is then repeated until all the goods to be auctioned have been run through 278. The consignment node auction may then close and terminate the participant

sessions 280. It is understood that the transfer ownership 270 sub-routine may require time to clear the transaction and, therefore, may be best implement as a spawned child process to the auction process. This will keep the consignment node auction executing at an exciting and fast pace for the participants. The consignment node auction process itself may execute in several instances to provide simultaneous auctions on a consignment node. Thus a consignment node may conduct several simultaneous auctions on several virtual runways. It is understood that in the auction mode the consignment node and the participant interface software may communicate 10 using a protocol that allows the consignment node auction driver to "point to" locations stored in the participant interface software, to cause the participant interface software to generate the sound of a auctioneers voice on the sound blaster, or equivalent board. Thus, the present invention uses pre-stored sound samples of different auction prices and auctioneer "string" 15 along aural calls inside the participant interface software, and allows the generation of said pre-stored sound bites to be invoked by the consignment node driver through the said special protocol. This method greatly reduces the bandwidth necessary for a consignment node to support the generation of exciting auctioneers calls at a plurality of participant terminals. It is 20 understood that the generation of an audio bit stream from the consignment node to the participant terminals is also within the scope of the present invention.

Figure 5 shows the logical flow for the post bid subroutine 300. The

post bid sub-routine may be invoked from several consignment node processes, those specifically described thus far are the post opening bid 258 and posting bid 264 logical processes. The post bid 300 sub-routine is used to communicate between a consignment node and multiple participants. The
5 post bid 300 sub-routine gets participant session identifications 302 from a data record or data structure that contains a list of session identifications of participants who have logged onto the auction sessions. The next step sends the bid passed to the post bid 300 subroutine to each participant session identified in the data structure 306. Bids are posted to each participant
10 through an appropriate driver 308. The driver may be identified for each particular user session. For example, a PC user logged into the consignment node via an X.25 virtual channel may require a host PAD driver in the consignment node to communicate asynchronously to the PC terminal interface application. A network user may require a TCP/IP driver to connect
15 between the consignment node and the participant networked terminal. After communicating the bid to participants through the appropriate device driver 308, the post bid sub-routine may exit and return 310 to the calling routine.

Figure 6 shows the consignment node subroutine to check participant
20 sessions for bids during the auction mode. Check for bids 350 maybe a subroutine called by the auction program to scan for bids. It is understood that when a participant logs into the consignment node and selects the auction mode, (see figure 2), the participant's session identification is passed

to a data structure. The data structure maybe used by the check for bids 350 sub-routine to correctly identify participants at a particular virtual auction. As noted above, the consignment node may support multiple simultaneous auctions, therefore, may require multiple instances of the aforesaid data structure. The check for bids sub-routine 350 opens or connects to the appropriate data structure storing or holding participant session identifications who are participating in the check for bids calling auction program instance at the get session identification step 352. The buffers associated with each session is scanned for an input 354. If a participant has input an "exit" command or symbol 356 the routine removes that participant's session identification from the auction identifying data structure and allows the participant to exit 362 the auction. The participant's session identification may be returned to a data structure that allows the participant to return to the consignment nodes main menu, see figure 2, or terminate the participant session. The subroutine then compares the bids and takes the highest bid 358. If bids are tied for the highest bid the sub-routine may use the first received bid and reject the others 358. The sub-routine then notifies the participant session who had the highest bid 360. It is understood that the take the highest bid step 358 and notify bidder step 360 are aware of the current bid price for a good and will not allow a lower bid to be accepted. It is understood that the participant session buffers are flushed after they are scanned to remove old or latent bids. The check for bids sub-routine then returns to its calling routine.

Figure 7 shows the transfer ownership routine 400 that may be used to transfer the ownership of goods and collectibles in the consignment node.

The transfer ownership sub-routine may be called from several consignment node modes and processes to effect the transfer of legal ownership. The first
5 step in the transfer ownership sub-routine 400 may be to verify a participant purchaser information 402. It is understood that the consignment node may use a variety of well known authenticating procedures to verify a participant, such verification techniques include personal identification numbers (PINS), passwords, call back, and a plethora of encryption techniques and personal
10 information identification means to provide a reliable verification technique.

It is understood that a consignment node user may have established a credit or deposit account for the participant from past sales or the transfer of funds and the verify step 402 may connect the participant to the account. The clear charge 404 step is used to clear the participant consignment node transaction.
15 It is understood that this may be via an external credit card clearing network, a connection to a credit account, or through one of the many proposed electronic fund transfer schemes such as debit cards, e-money, and clearinghouses. After the transaction clears the charge 404, the consignment node credits the consignment node users commission account 406 to extract
20 the consignment node transaction fee. The consignment node then transfers legal ownership 408 of the good by changing the ownership entry in the data record in the consignment node of the good. The consignment node may then print a record of the transaction 410. It is understood that step 410 may

also be used to keep a log on the consignment node storage or tape drive. The consignment node then removes the good from sale or auction status 412. It is understood that the data record representing the good is "locked" during the transfer ownership sub-routine to prevent collisions of actions and transfers of the good. If the participant has elected to ship goods then the consignment node will print a shipping label 404 for the consignment node user to attach to the good for shipment. The transfer ownership routine may then exit 416. If the participant has elected to re-post the good or collectable the participant may specify a new reserve or offer price for the good or collectable. It is understood that the purchasing participant may elect to leave the good or collectable at the consignment node and post a new offer or reserve price and may identify that the good is on the market, e.g. may be bought and sold at any time, or that the good is awaiting an auction date. Moreover, the participant may elect to have the good viewable on the market or "invisible" to the market while awaiting an auction date 422. It is understood that the participant may elect to leave the good at the purchased consignment node and electronically transfer the offering of a good to another consignment node. It is understood that consignment node users may run a "trusted" network between consignment nodes to provide the trust between merchants, that the goods exists and that the network between the consignment nodes to provide for electronic presentment of a good is a secure network connection. This allows collectable goods to be concentrated for a single electronic auction or virtual collectable market on a market maker

consignment node without incurring the costs of shipping the goods to a central location to bring the good to the market maker consignment node. It is understood that the trusted posting of goods on a market maker node is a value added feature a small town consignment node user can provide to his immediate collector community. It is understood that the master central node may also serve as a legal consignment node franchising authority to provide enforcement of integrity, security and quality control for the consignment node network.

Figure 8 shows the consignment node routine that may be used to establish a virtual market. The market 450 may be selected from the consignment node main menu, see figure 2, to allow a participant to browse the consignment node goods database. The market 450 will display to the participant market categories 452, categories may be defined by the consignment node user to reflect the specialization of his consignment node and the specialized markets or miscellaneous markets for his goods. The consignment node then gets the participants response 454 to the market choices. The consignment node may then display market sub-categories 456. Again, the consignment node user may specify market sub-categories to reflect the specialization of the consignment node. The consignment node may then display items 458 and get the participant or market user response 460 to the displayed choices. It is understood that the participant may browse or scroll through the goods on the market 462, 458, 460 until the participant responds with a desire to exit the market 463. If the response is a desire to

transfer to the market root directory 464 then the consignment node will return the participant to the market subcategories 456. If the participant responded with a desire to terminate the session 466 the consignment node will exit the market and terminate the participant's session. It is understood that during the browse loop 458, 460, 462 a participant may elect to buy or make an offer on a good and may invoke the transfer ownership routine, see figure 7, to effect the transfer of a good's ownership. It is also understood that a participant may make an offer on a good below the asking (or offered) price. Such a proposed offer may be stored by the consignment node and used to
10 notify the good owner. The good owner may then accept the counter offer or reject. It is understood that a participant counter-offer may be made subject to an acceptance before date. It is also understood that a participant may establish a "buy at" or "sell at" price/quantity for any good in the market.

Figure 9 shows a logical flow diagram of the process that may be use to
15 transact the transfer of ownership of goods on a consignment node at the store where a consignment node may be located. The consignment node user invokes the store sale sub-routine 500 from a consignment node user terminal, see figure 1. The consignment node user may use the bar code scanner to scan the bar code of the good for sale 502. It is understood that the
20 consignment node user may manually recall or search the consignment node database for the data record of the good or may let the consignment node software use the bar code to automatically retrieve the record 504. The data record is then scanned to retrieve price and sale information on the good 506.

It is important to note that a good, while on display at a consignment node user's shop may have transferred ownership and changed price via network participants. The consignment node then displays this information 508 at the consignment node user terminal. The store customer may then elect to
5 purchase the good. The consignment node may process a store customer purchase request by calling the appropriate sub-routine to transfer ownership, see figure 7, of the good.

Figure 10 shows a logical process diagram for the central node to collect and process data concerning transactions on a plurality of consignment nodes
10 and provide value added feed back to consignment node users on market positions and trends. Data processing 550 may be executed on a consignment node or the central node to extract transaction data from a consignment node. It is understood that the tape drive, or storage device may be used to log network transactions on the posting, auctioning, buying and selling of goods
15 and collectibles on a consignment node. This information may be collected by the central node over the consignment node network. The central node may then plot sales, sale date, price over time and the like to create graphs of market performance 554. It is understood that the data correlation and processing steps 554, 556 may be customized to provide a particular
20 consignment node user with useful market information. The central node may also provide hard copies or electronically transfer the information to the consignment node users. It is understood that this may be a value added feature of a service that may be provided by a franchiser. It is understood that

the central node may log into a consignment node, with well known remote processing and data transfer techniques such as the rlogin and FTP UNIX utilities to make changes to the aforesaid virtual advertising space on a consignment node.

5 Figure 11 shows the agent handler the consignment node may use to establish agent-to-agent and consignment node - to - consignment node connections to process participant agent requests. The agent handler 600 may be entered by a predetermined series of codes and verification procedures to verify a request for an agent connection to the consignment node is from a
10 bona fide agent and a bona fide consignment node. Once this is verified the agent handler may establish a session for the requesting agent 602. The requesting agent may then transfer its agents request to the consignment node 604 and the consignment node may then check its local database 606 to try to match the agents search request. The agent handler may then respond to the
15 agents request 608 and terminate the agent session 610.

Many variations of the present invention are possible with the present invention and are within the spirit and scope of the present invention. Those skilled in the arts will be able to make many variations on the present invention once this invention is known to the arts.

Therefore, I claim:

1. An apparatus for creating a computerized market for used goods and collectibles comprising:

a consignment node.

5

2. The apparatus of claim 1 further comprising:

a second consignment node, said second consignment node connected to said first consignment node through a data network.

10

3. The apparatus of claim 2 wherein said data network is the internet.

4. The apparatus of claim 2 wherein said data network is a broadband network.

15

5. The apparatus of claim 1 wherein said consignment node further comprises:

a printer operably connected to said consignment node;

a bar code scanner operably connected to said consignment node; and

a tape drive operably connected to said consignment node.

20

6. A method for creating a computerized market for used goods and collectibles using a computer, a database and a plurality of participant terminals comprising the steps of:

posting a used good on a market maker computer by creating a data
record for said used good having an item identification and offer price;
displaying in response to a participant request from said participant
terminal to display said data record information on said participant terminal;
5 processing an order to buy said good from said participant terminal by
transferring ownership of said used good from a first owner to a second
owner and changing said data record to reflect said second owner offer price;
and
posting said used good on a market maker computer at said second
10 owner offer price.

7. The method of claim 6 further comprising the step of:
clearing the transfer of ownership of said used good in said step of
processing by debiting an account of said second owner.

15 8. The method of claim 6 further comprising the steps of:
creating an option to buy or sell goods at some future date at a specific
quantity and price; and
selling said option to a participant.

20 9. The method of claim 6 further comprising the steps of:
pooling the assets of a legal owner of a plurality of collectable goods;

and

selling shares in said pool of assets from said step of pooling to a participant.

10. The method of claim 9 further comprising the steps of:

5 creating an option to buy or sell at some future date at a specific quantity and price of said pool of assets from said step of pooling said assets; and
selling said option to a participant.

10 11. The method of claim 6 further comprising the step of:

electronically presenting a good from a first computerized market to a second computerized market for goods by transferring said data record created in said step of posting a good for sale from said first computerized market to said second computerized market.

15

12. The method of claim 6 further comprising the step of:

automatically paying a commission to said computerized market from said transfer of ownership of said good by said computerized market deducting said commission from said purchase price paid to said seller.

20 13. The method of claim 6 further comprising the step of:

creating a data record of said step of transferring ownership of said good in said step of processing an order and storing said data record on a storage device.

14. The method of claim 13 further comprising the step of:
searching said data records from said step of creating a data record in
response to a search request from a participant.

5 15. The method of claim 13 further comprising the step of:
analyzing said data records from said step of creating a data record to
identify the price of a good over a predetermined period of time.

16. A system for electronically auctioning used goods and collectibles
10 with a sever computer executing a caller program to generate auction calls
over a data network to a plurality of user terminals, said server computer
having a data record that reflects the items to be auctioned and a means for
clearing a purchase request from a user terminal, said user terminal executing
a program to receive said auction calls from said server computer comprising
15 the steps of:

posting a item to be auctioned by reading a computer record in said
server computer for a data record of an item to be auctioned;

posting an opening bid to said plurality of user terminals by said caller
program processing an opening bid on said item to be auctioned and
20 transmitting said opening bid through a data network from said server
computer to said plurality of user terminals;

receiving a bid response from said user terminals by said caller
program processing a bid from said user terminal;

posting a revised bid that reflects the bid from said step of receiving a bid response to said plurality of user terminals by said caller program generating a revised bid on said item to be auctioned and transmitting said revised bid through a data network from said server computer to said plurality of user terminals;

repeating said step of receiving a bid response and said second step of posting a revised bid until no higher bids are received from said step of receiving a bid response; and

transferring ownership of said item to be auctioned from said first owner to a second owner, said second owner having tendered said highest bid, by said caller program changing the ownership notation in said data record of said item to be auctioned.

17. The method of claim 16 wherein:

said transfer of a bid from said server computer to said plurality of user terminals is a pointer to a predetermined index of audio sound samples stored in said plurality of user terminals, said plurality of user terminals in response to said pointer to said index of sound samples generates said sound represented by said sound sample at each of said plurality of user terminals.

20

18. The method of claim 16 further comprising the step of:

verifying said highest bid received is higher than a predetermined reserve price for said item to be auctioned.

19. The method of claim 16 wherein said data network is the internet.

20. The method of claim 16 wherein said data network is a broadband
5 network.

ABSTRACT

A method and apparatus for creating a computerized market for used and collectible goods by allowing the electronic present of goods from one market to another in a trusted network, allowing the electronic auctioning of goods, enabling an electronic agent to search the markets for locate a good, and enabling an electronic agent to search for the owner of a hard to find good.

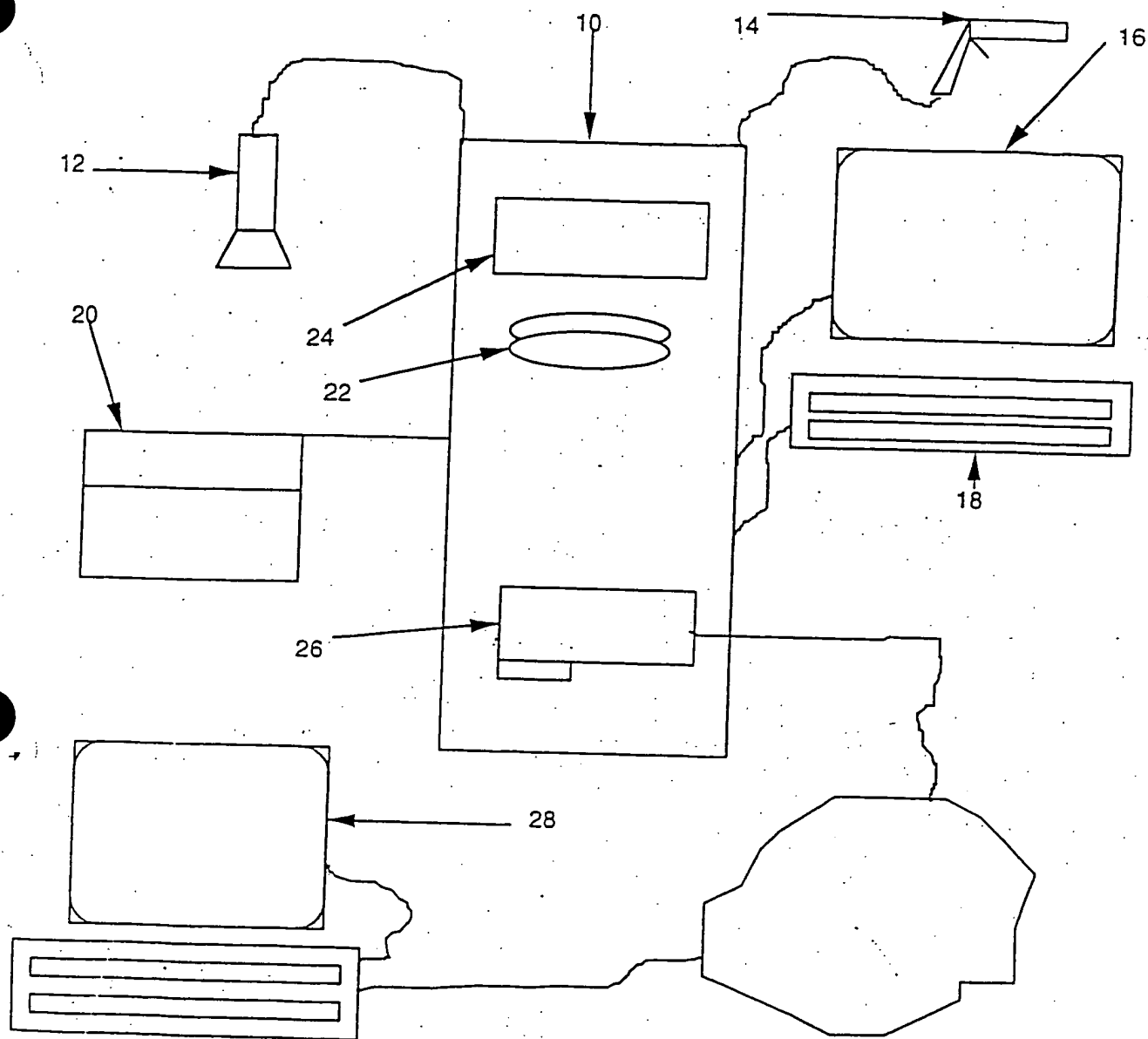
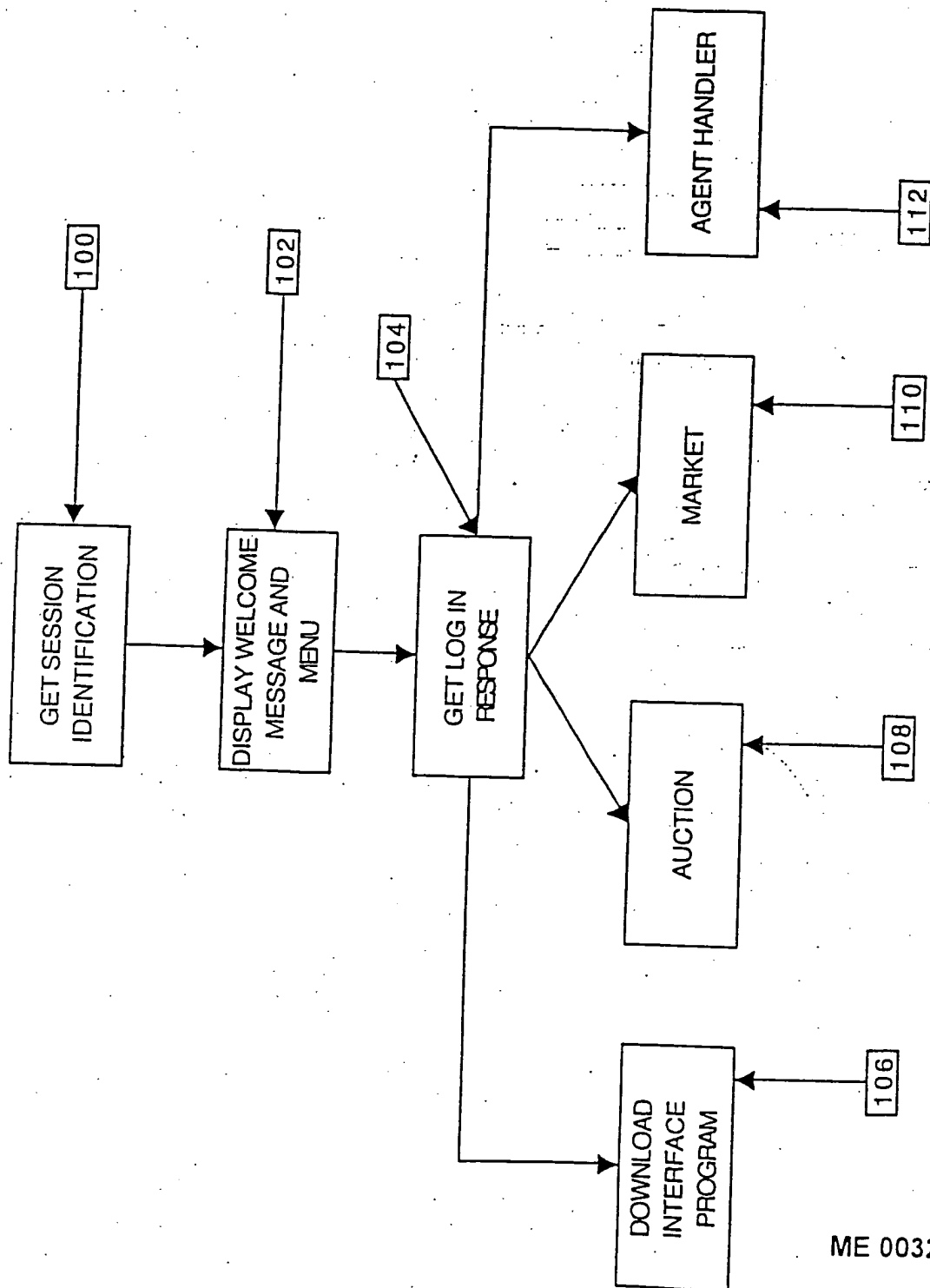
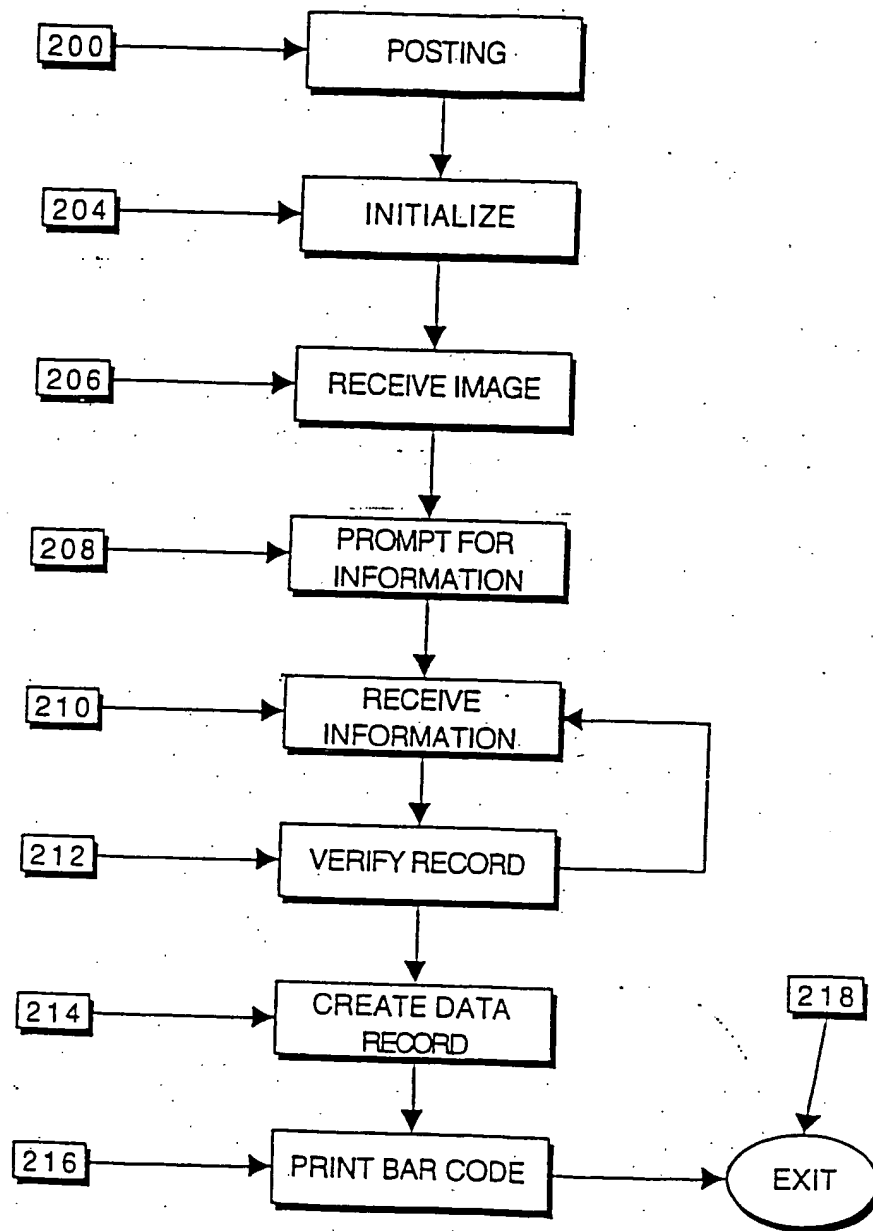


FIGURE 1



ME 0032322

FIGURE 3



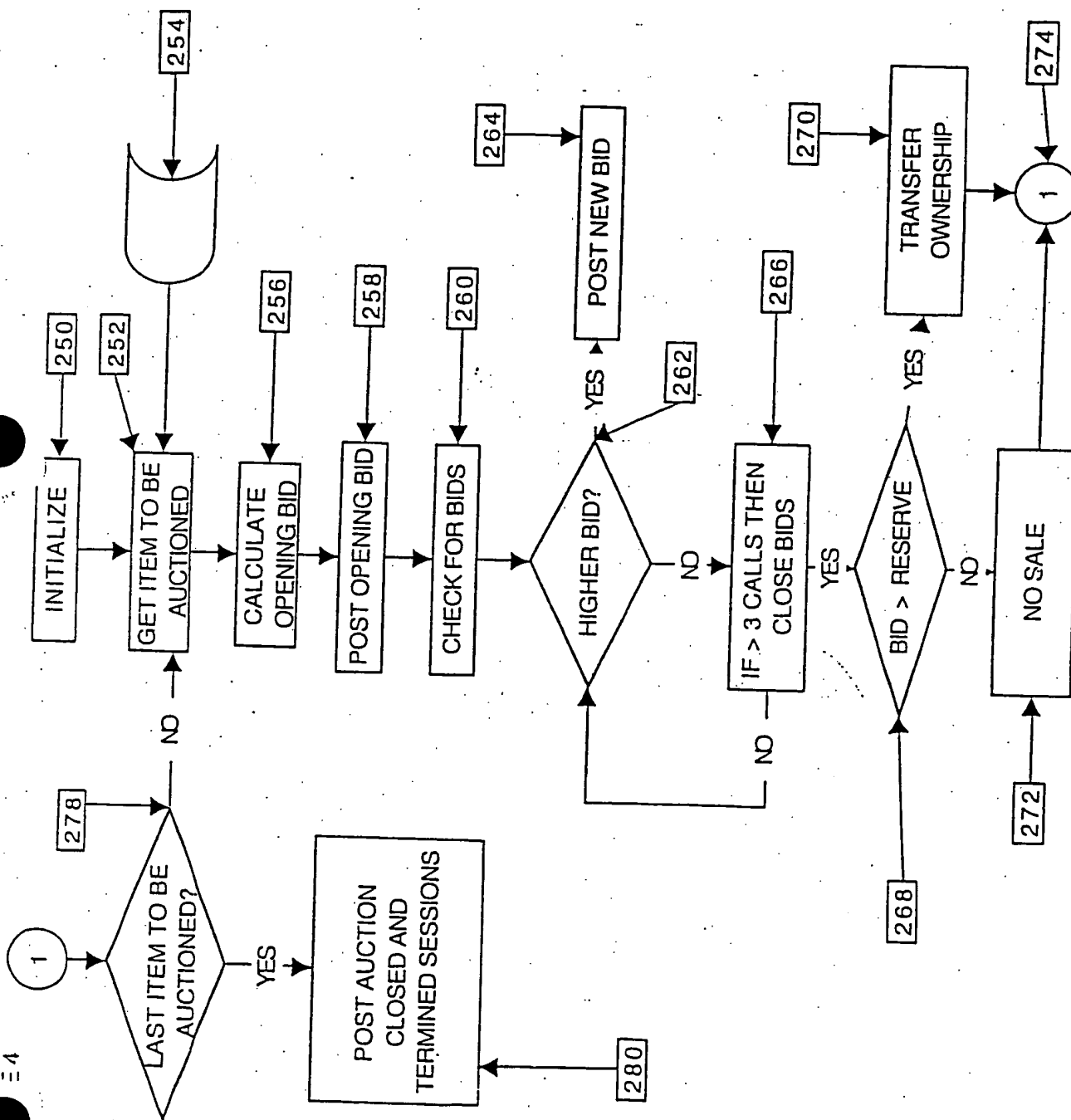


FIGURE 5

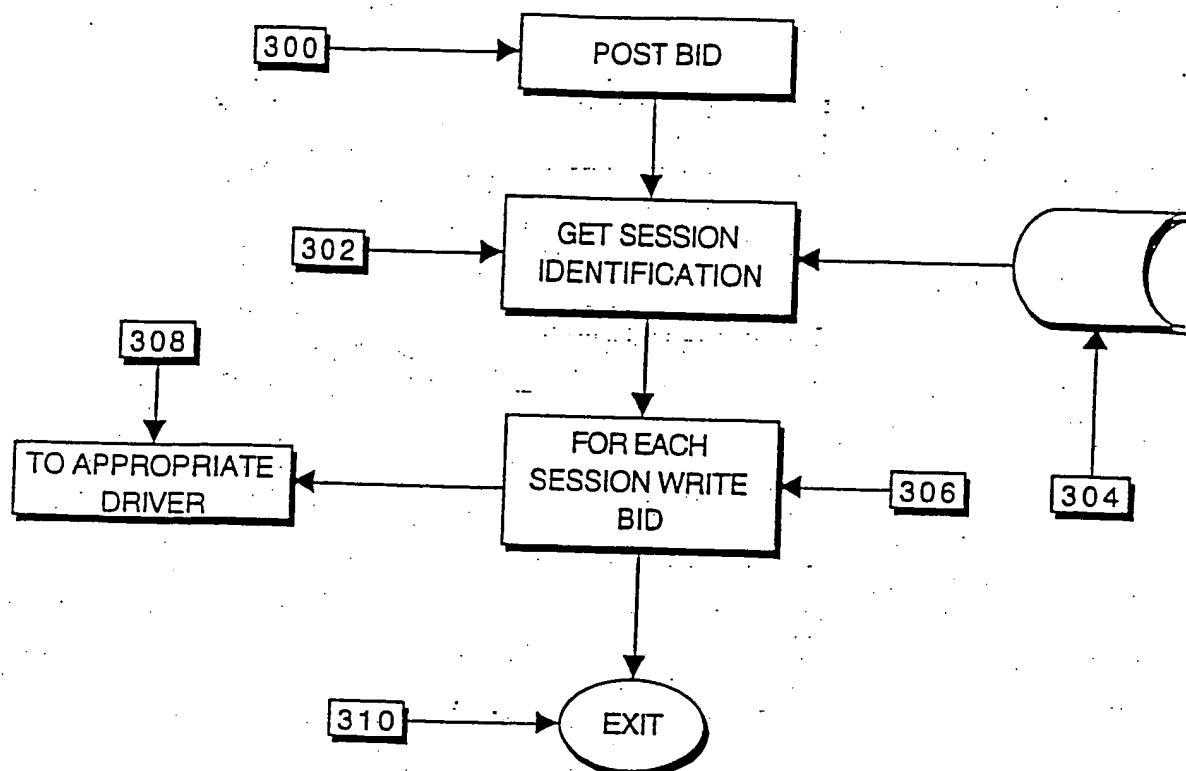


FIGURE 6

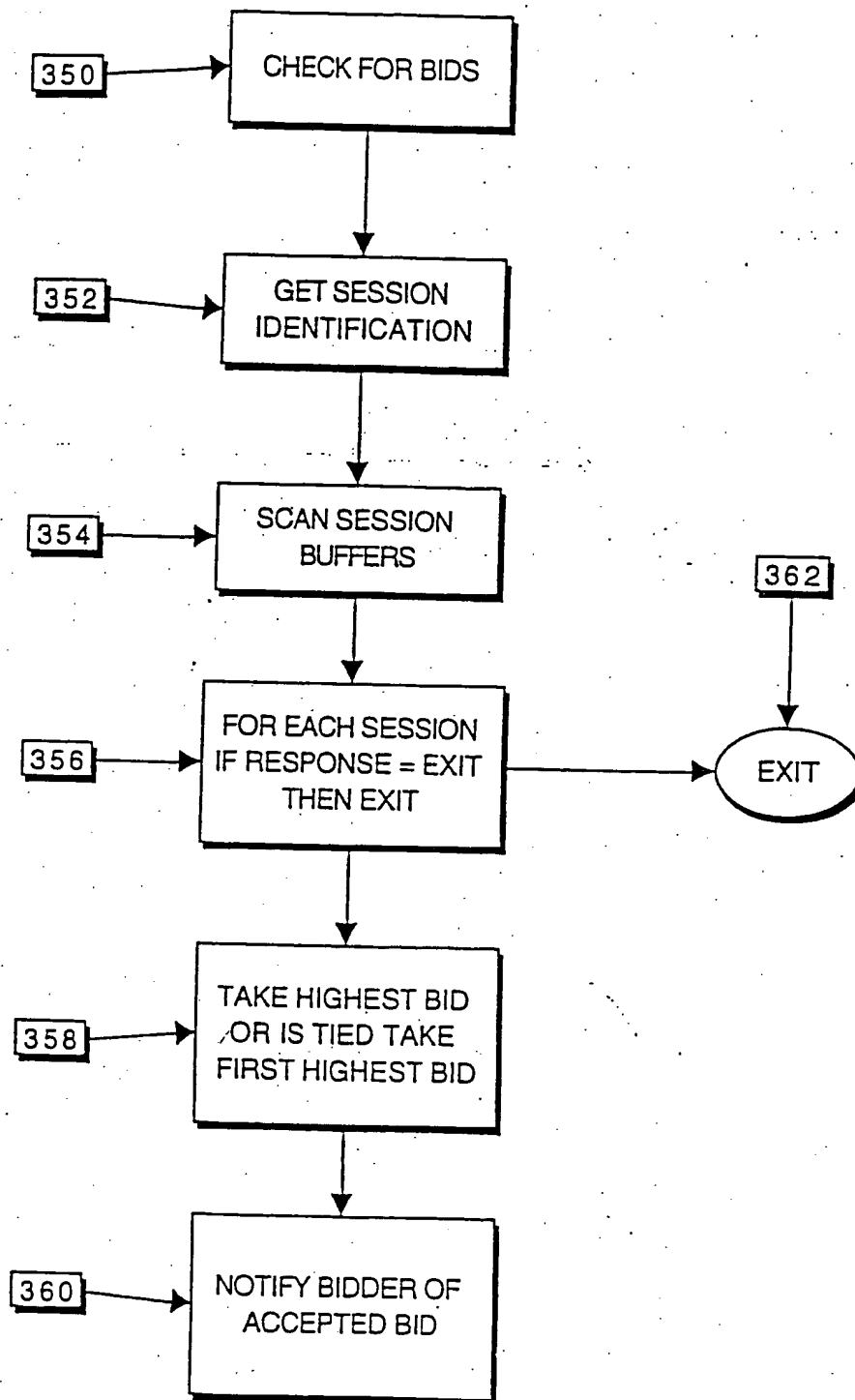


FIGURE 7

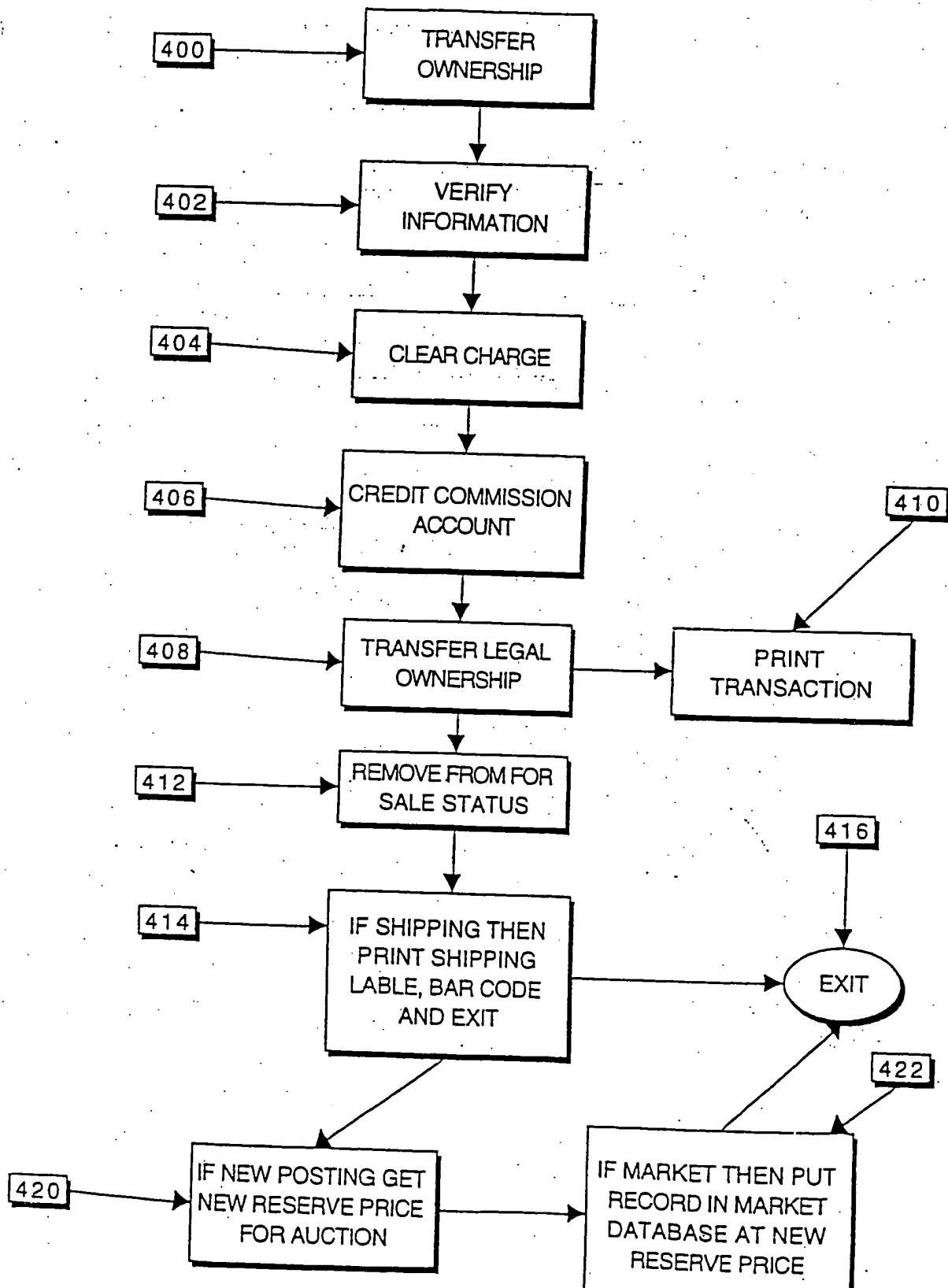
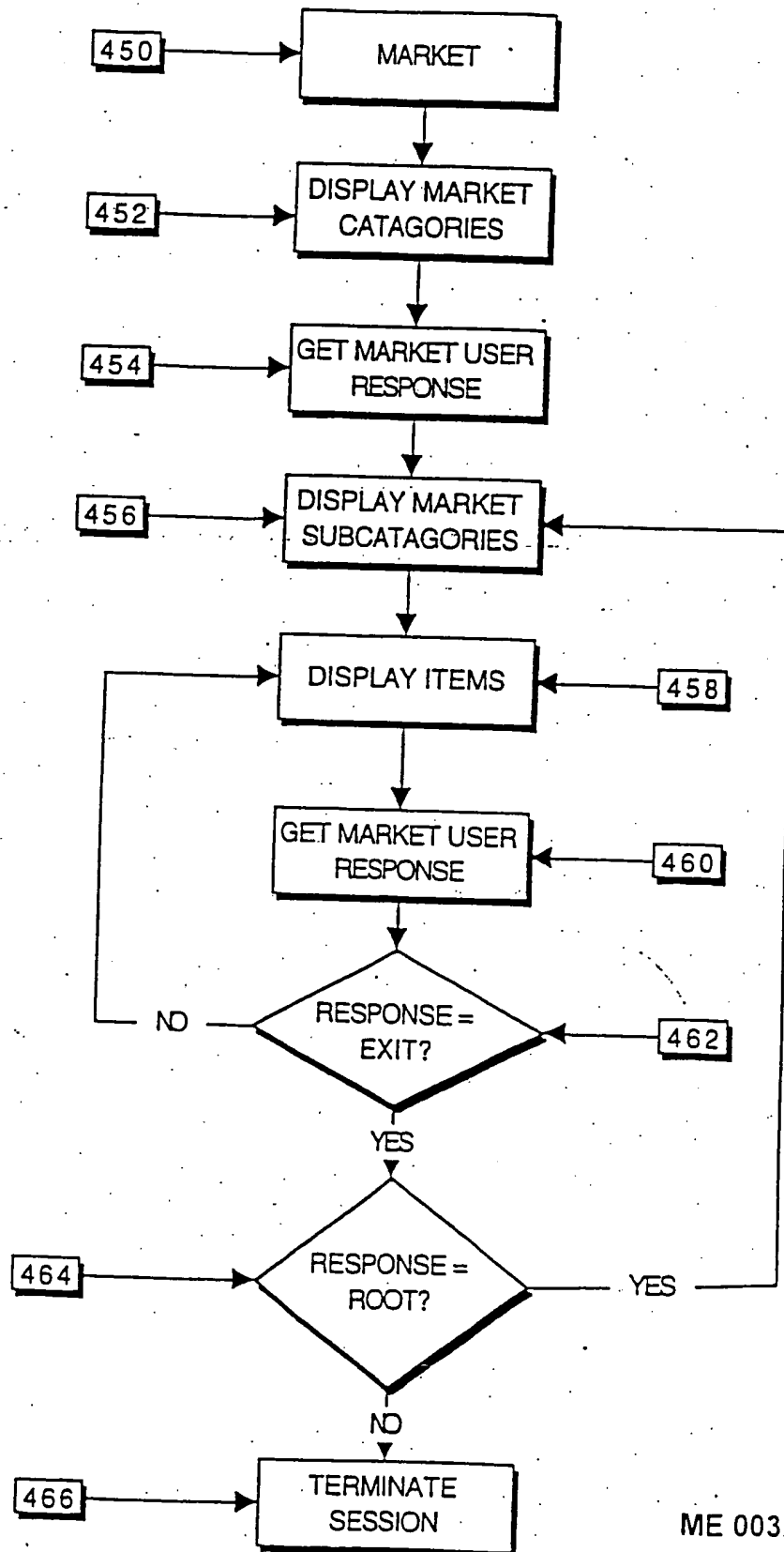


FIGURE 8



ME 0032328

FIGURE 9

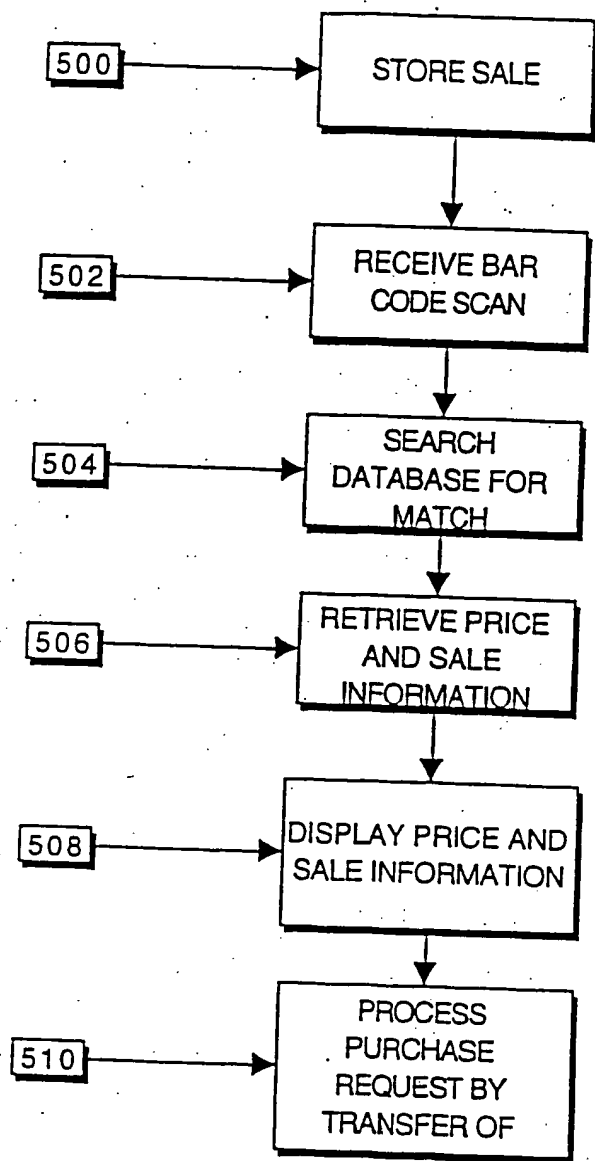


FIGURE 10

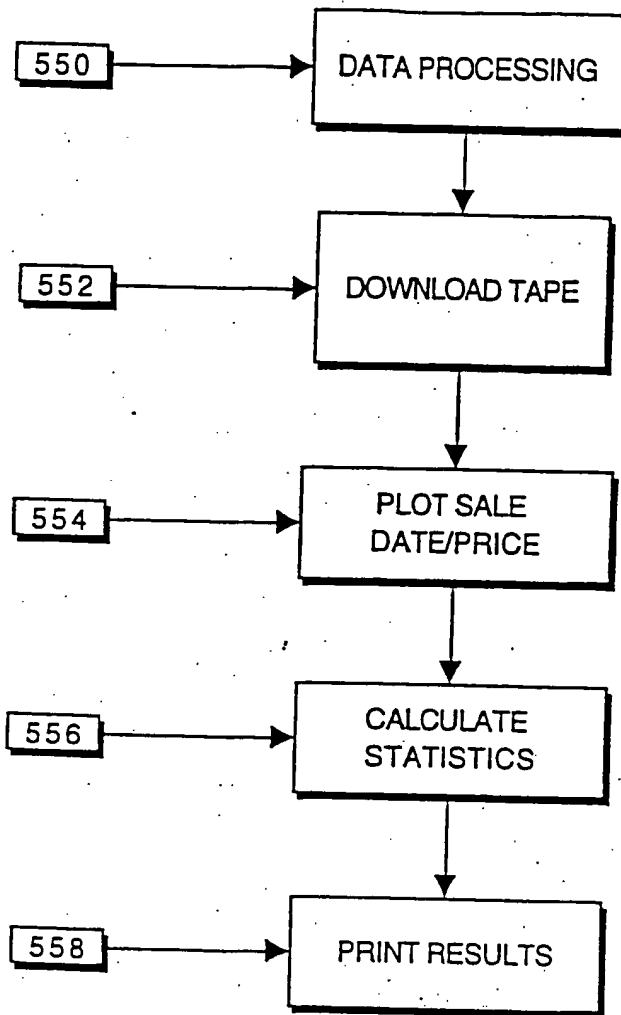


FIGURE 11

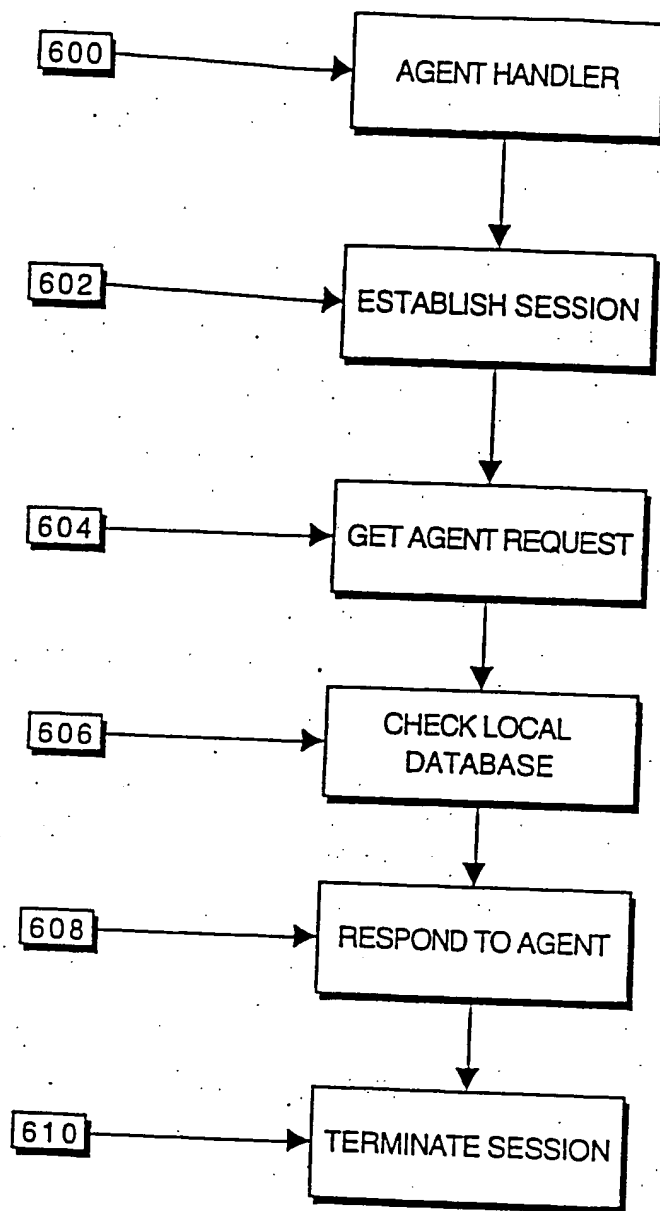
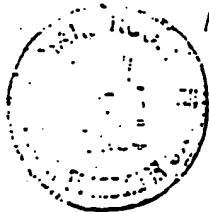


Exhibit J

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014



137 ✓

37,722,207 554704

CONSIGNMENT NODES

BACKGROUND OF THE INVENTION

This application is a continuation in part of U.S. Patent application serial
5 number 08/427,820 filed April 26, 1995, incorporated herein by reference in its
entirety. The present invention relates to used and collectible goods offered for sale
by an electronic network of consignment stores. More specifically, the present
invention may be an electronic "market maker" for collectable and used goods, a
means for electronic "presentment" of goods for sale, and an electronic agent to
10 search the network for hard to find goods. In a second embodiment to the present
invention, a low cost posting terminal allows the virtual presentment of goods to
market and establishes a two tiered market of retail and wholesale sales.

Certain items and used goods have a large following of collectors. These
items include baseball cards, dolls, pens, watches, comic books, stamps, coins, and
15 the like. It is well known to establish shops specializing in these items. It is also
well-known to establish boards for the sale of used goods. And is known to sell new
goods on a special television channel like the Home Shopping Channel.

The prior art does not provide a means to electronically market used goods or
provide an avenue to allow participants to speculate on the price of collectable or
20 used goods in an electronic market place. Moreover, the art does not show a way for
small to medium size business to use a low cost posting terminal in conjunction with
a market maker computer to collectively create a virtual market for used and
collectible goods. Thus, to address the short comings of the art the present invention
has the following objectives:

25

SUMMARY OF THE INVENTION

To establish a low cost computer means for a used good and/or consignment stores to establish a "trusted" computerized market for used and collectible goods.

To establish a computer means to administrate and provide inventory tracking to used good and/or consignment stores when the stores make a virtual presentment of a good to a computerized market and the good is sold at the virtual market and/or the good is sold through the store front.

To establish a computer means to double tier a computerized market for goods, where the first tier is a retail price and the second tier is a wholesale or dealer to dealer price and an authorized dealer has pre-approved access to the dealer-to-dealer price and may charge and display the retail price to a local store customer.

To establish a computer means for archiving records of transactions in a computerized market for collectible and used goods and distributing the archive to computer terminals that may then research and analyze valuation and price trends of collectible and used goods in the computerized market.

To establish a computer means for a used good store or consignment store to sell used goods and collectibles electronically and to provide the automatic electronic re-sale of goods purchased.

To establish a market for goods with a dominant electronic "market maker" node to allow collectors to speculate on the collectable goods market.

To provide the excitement of a "live" auction house type atmosphere to remote participants in a electronic auction.

To provide data analysis to the market makers of collectable good or consignment node users on the price, price movements, and quantity of collectable goods in the virtual market.

To provide an electronic agent interface for participants to search a plurality of consignment nodes to search for a used good or collectable item.

To provide a means to track down the owner of a particular used or collectable good.

Further, to provide a trusted network of consignment nodes that act as brokers to provide a means to electronically present a used good or collectable to an electronic market.

The foregoing objects and advantages of the invention are illustrative of those which can be achieved by the present invention and are not intended to be exhaustive or limiting of the possible advantages which can be realized. Thus, these and other objects and advantages of the invention will be apparent from the description herein or can be learned from practicing the invention, both as embodied herein or as modified in view of any variations which may be apparent to those skilled in the art. Accordingly the present invention resided in the novel methods, arrangements, combinations and improvements herein shown and described.

The present invention is a network of consignment nodes and a low cost easy to use posting terminal for the virtual presentment of goods to market. A consignment node is a computer database of used goods preferably operated by a used good, collectable shop keeper or a bailee. A posting terminal is a low cost easy to use computer and computer peripheral devices used by a small store owner to present goods to a computerized marker and track the sales of goods and control the posted inventory. All consignment nodes users or operators, hereinafter users, are "trusted" licensees or franchisers of the software and hardware necessary to create and operate a consignment node. Thus, the network provides a trusted means for consignment node users, e.g. shop keepers, to establish electronic markets for collectable goods, establish electronic auctions, establish a means for searching each others shops to locate hard to find collectibles items, and a means to electronically present goods to a market. The present invention will allow, or license, certain consignments nodes to become a dominant market maker for a particular class of

goods, for example, a consignment node franchise may be given the rights to establish the dominant market for collectable antique pens. It is understood, a central market maker computer may be virtually divided into different markets with posting terminals used as the means for the market to obtain virtual title goods.

5 Other consignment nodes, after taking physical possession of a good, may make an electronic presentment of that good to such a dominant consignment node market. Thus, a local collector of antique pens may bring a pen to a convenient consignment node in Smalltown, USA, the consignment network would allow this collector to electronically "present" his pen to the dominant market make node for antique pens
10 in for example, Chicago. Participants, e.g. customers and collectors (hereinafter "participants"), may reach a dominant node's market, or any other consignment nodes electronic store, from his or her home by logging on from a PC located at the participant's home to their locally operated consignment node and reaching the distant consignment node through the network of consignment nodes. Thus, each
15 consignment node user, e.g. shop keeper, has a potential participant, i.e. customer base, of all consignment node participants. In other words, a potentially huge customer base that incurs the minimal cost of a local consignment node connection may reach any other consignment node through the consignment node network. And local collector's may economically participate in the collectable markets by
20 using local access to a convenient consignment node "trusted" bailee, and electronically presenting collectable goods to an electronic market.

A consignment node in a simple form may have a computer 10, a digital camera 12, a bar code scanner 14, a display 16, a printer 20, a keyboard 18, a database 22 and a network connection 26 collectively called hereinafter a
25 consignment node. The present invention also has a user interface application program to execute an a user or participant's data terminal 28.

The consignment node may have four modes of operation: a software download mode, an auction mode, a market mode, and an agent mode. The software download mode allows a participant to log into the consignment node and receive a download of a participant interface application program. The auction mode allows a participant, from the participant interface application program, to log into a consignment node to partake in an electronic auction. The market mode allows a participant with the participant interface program to log into a consignment node to browse the consignment node database to search for a used or collectable good. The agent mode allows a participant to log into a consignment node to formulate a search request for a particular used good or collectable. The consignment node may search its own database for the requested good and/or generate agents to search and report back a search request of other consignment nodes.

The present invention may allow a participant to electronically purchase goods from a consignment node and to select whether the good should be shipped to a participant designed location or the participant may take electronic legal ownership of a good and post a new participant defined offer or reserve price. By the interaction of a plurality of participants buying and selling collectibles on a consignment node, posting "buy at" and "sell at" quantities and prices the consignment node may establish a market or become a "market maker" for collectable goods. A participant may also elect to electronically transfer or present a good to a different consignment node or market. This allows a participant to speculate with collectable goods on the consignment node network's different markets and not incur the shipping costs with physically moving the goods, while providing a trusted means to assure potential buyers of the good's bona fide availability and legal title.

The consignment node operator or purveyor, hereinafter referred to as the consignment node user, establishes his consignment node by creating a database of used goods or collectibles, hereinafter the term "goods" shall be used to reflect used goods, new goods and collectibles. The user takes the first good to be put on the database and invokes the consignment node software to create a data record. For example, the user owns a baseball card collector shop and the user wants to post his Babe Ruth collection. The user in this instance invokes the consignment node to "build the database mode" and the invention initializes the digital camera 15. The user then "photographs" or digitizes the image of the particular Babe Ruth card. The consignment system then displays an empty database record on the display to accept text information concerning the card.

The user fills out the display record with information concerning the particular Babe Ruth card. The consignment node verifies that enough information has been filled out in the displayed computer record, as well known to the electronic database arts, and accepts the record. It should be noted that the consignment node database record has data fields for the consignment node user to add value to his consignment node postings with subjective information such as condition of the card, special features such as autographed by Babe Ruth, and the like. Thus, the consignment node user may build business goodwill into his particular consignment node operation by establishing his own particular subjectivity and quality standards in item postings.

After the data record or the particular Babe Ruth card is accepted by the consignment node the system may print out a bar code label on the printer 20. The user may then put the particular Babe Ruth card into a plastic bag and affix the bar code label to the bag. The bar code labeling system becomes a useful inventory management tool discussed below.

It is understood in this first example that the consignment node user is the legal and equitable owner of the Babe Ruth card and that the user posted a reserve or offer price on the particular card at his posting. In a second illustrative example, a local resident would like to post, for example, his Frank Robinson baseball card. The resident brings his Frank Robinson card to the baseball card store and tells the consignment node user he would like to offer his Frank Robinson card for a consignment sale. Again, the consignment node user invokes the system database posting mode and "photographs" the Frank Robinson card with digital camera 12. As above, the user fills in the system generated display prompt for information concerning the Frank Robinson card. The resident informs the user of the reserve or offer price and signs or agrees to a consignment contract with the consignment node user to accept the consignment terms to pay the consignment node user on the sale of the card, for example 6%, of sales price as a consignment fee. Again, the system may print the appropriate bar code for the Frank Robinson card. The consignment node user then takes possession of the card and may affix the bar code label to an appropriate cardholder. It should be noted by the consignment node user may again "add value" to his consignment node by entering subjective criteria in the database entry for authenticity, condition, special attributes and the like. The participant or local resident may now electronically present his Frank Robinson card to any consignment node, consignment node auction or consignment node market maker in the consignment node network.

These processes may be repeated again and again to establish a substantial database of goods for sale. It should be noted that the consignment node user may at his discretion take postings from reputable dealers or collectors via a facsimile machine or other forms of electronic or verbal presentment of a good for sale. It is within the sound discretion of an individual consignment node user to establish these practices. It is within the scope of the invention, however, to take electronic

postings from other consignment node users or individuals over the network, as discussed below. Each consignment node user may be a franchisee of a central franchiser and the franchiser may police the network to give quality control, detect fraud and revoke the franchises or licenses of poor quality consignment node users. Thus, the consignment node is a "trusted" network for consignment node users providing value to the network by imposing a quality and performance structure on the consignment nodes. The same franchise enforcement scheme is also available to the low cost posting terminal embodiment to the present invention.

The Sale

A buyer, hereinafter participant, may electronically log onto a consignment node via a network connection by use of a PC with participant interface software, through an interactive television application, workstation, internet browser or the like. The network connection drivers for the consignment node are discussed in detail below. The participant may enter the browse node and peruse the consignment node database of goods. It is understood that the participant may receive the image taken with a digital camera 12 of the goods at the participant terminal. The participant, upon finding for example the above-posted Frank Robinson card may decide to purchase the card. The participant may present electronic payment to the consignment node by entering a credit card number and expiration date or other forms of electronic payment. It is understood that a secure and/or encrypted means may be established between a participant's interface application and a consignment node to transfer sensitive or theft prone information. Moreover, a participant may establish an account with his local consignment node to be debited and credited with the funds used and generated with his transactions.

The consignment node may, for example, clear the transaction by charging the participant's charge card account and crediting the consignment node store

account by well-known credit card clearing techniques. After the consignment node has cleared the transaction the system electronically transfers ownership of the Frank Robinson card to the participant. The participant may then be presented with the choice of directing the delivery of the Frank Robinson card to a desired location or may choose to post a new reserve or offer price for the card and direct the card to remain in the possession of the consignment node user. Thus, the consignment node allows a participant to speculate on the price of the Frank Robinson card and establishes an electronic market for the Frank Robinson card. It is understood that the consignment node may have many Frank Robinson cards available, thus by the interaction of collectors electronically buying and selling the collectibles it will establish a market price for a Frank Robinson card or any other good. For each transaction, the consignment node user extracts the small consignment fee, e.g., 6% of the sales price, thus the consignment node user directly benefits from operating a reputable consignment node. If the participant elects to take delivery of the purchased goods then the consignment node may track the delivery and ownership of this good to this particular participant in a data record. This data record may be useful to speed the posting of the good, should the participant later decide to re-post and sell the good, and it also creates a valuable database of records to track the possession and ownership of a collectable. This feature may be useful in the agent mode, e.g., tracking down very hard to find items, discussed more fully below.

The Auction

For a rare good, a good in a volatile market, or a good's initial posting the consignment node user or participant may wish to auction the good, with or without reserve, to the highest bidder. In this mode, the good may be posted on the consignment node by the means described above but the data record representing the good is identified as waiting for an auction date and may not be purchased on

the electronic market. Alternatively, an item may be in the electronic market of the consignment node with a high reserve price that may be lowered in the auction or liquidation mode. Here the consignment node user or the good's participant owner may enter a protected data field a confidential reserve price for the auction mode.

5 The consignment node user arranges by invoking the appropriate consignment node program a time and date for an electronic auction. The consignment node user or good's participant owner may establish, in a data record that represents the good, a desire for the item to be auctioned. For example, a pawnshop operator of a consignment node may have several Rolex watches he wishes to auction with

10 reserve this Saturday night at 7:00 p.m. The consignment node user, here a pawnshop, identifies on the Rolex watch records the auction date and the confidential reserve price. The consignment node system may "advertise" auction dates, items and auction terms in the consignment node log on welcome message discussed below. Moreover, a good that is identified as awaiting an auction date

15 may be viewed before auction in the consignment node browse mode by a perspective auction participant.

At the auction date, perspective participants log onto the consignment node auction mode locally or through the consignment node network and await the first good to be auctioned. It is understood that in the best mode of the invention the

20 participant will have a data terminal with a digital to analog converter such as a "sound blaster" and speaker, the digital to analog capability may be used in the auction mode to bring the aural excitement of an auction, e.g., the call of the heckler, the caller and bidders, home to the auction participant. This is discussed in more detail below.

25 The consignment node takes the first item to be auctioned and posts the image of the good and the good's text record to the participants. The consignment node then posts the opening bid. It is understood that the bid postings may be in a

protocol that invokes the generation of an auctioneer's voice at the participant terminals. The participants may then respond with a higher bid. The consignment node scans electronically the participants for bids and accepts the highest bid. If bids are tied the consignment node may take the first highest bid by the participants log on order. A particular bidding participant receives a special acknowledgment from the consignment node that her bid was accepted. The consignment node then posts the higher bid to all the electronic auction participants. The consignment node repeats this process until no higher bid is received for a predetermined amount of time and closes the auctioning of that particular good.

10 The consignment node then checks whether the highest bid received is greater than the reserve price, if appropriate. The consignment node may then post sold! and the sell price to all participant terminals and proceed to post the next item for auction. Again a successful purchaser may elect to direct delivery of the good or post the good on the electronic market at a new participant determined offer price.

15 It is understood that the terms of the auction sale are posted and agreed to by the participants before allowing a participant to bid on goods in compliance with local requirements and statutes. It is also understood that a participant may make electronic payment for the goods or establish a line of credit or collect on delivery terms within a particular consignment node user's discretion. This may be

20 established by a relationship between a local consignment node user and a local participant at the local consignment user's discretion.

It should be noted that a consignment node user may sell virtual advertising space or a central master node e.g., the franchiser, may coordinate the sale of advertising space on a pool of consignment nodes to reach target market participants. For example, if a participant has purchased or speculated in antique pens, and advertisers of an antique pen specially consignment node wishes to target market individuals on the network who have purchased collectable pens in the past.

A central coordinated master node may sell advertising to an advertiser for the log on message or e-mail targeted participants and users. Thus, the network of consignment nodes can establish a market for target marketing or blanketed advertising of goods and services sold locally or on a network level by a central node.

The Agent

The Agent Mode allows a consignment node participant to search a plurality of consignment nodes and purchase records for a used good. A participant may log onto his local consignment node to shop. This participant, for example, may be interested in purchasing a particular used coin for her collection. The participant may invoke a consignment node Agent to search the network of consignment nodes for this coin. The participant fills in the search parameters for this coin, for example, a 1872 U.S. penny from the Denver Mint. The consignment node Agent task handler verifies the Agent form is sufficiently filled out and accepts the task. The Agent checks a list of other consignment nodes network addresses kept by the local consignment node database and generates an Agent communication message to each consignment node on the list and begins to establish communications to the other consignment nodes. An Agent message between consignment nodes begins by coordinating or reconciling the database on each consignment node of the locations and/or address of other consignment nodes. If a consignment node has a different list of consignment nodes in its database it will pass the node update information to the other consignment node. The consignment node originating the Agent task will generate a new Agent task to accommodate the information concerning the new consignment node. Once the consignment node database of consignment nodes is reconciled, the Agent will search the consignment node database for the goods requested. The Agent will report back whether the search of

the local market database was successful and how many good that matches the Agent search request it found. An Agent may also search the consignment node database of past transactions to identify an owner of a particular good. The Agent may then report that John Doe of Main Street, U.S.A. was the last known purchaser of a 1872 U.S. penny from the Denver Mint at this node. It is understood that differing levels of privacy are available to consignment node purchasers, so as only allowing the local consignment node user to view past purchaser information and/or provide the Agent with an option of contacting that consignment user so he may contact the prior purchaser, thus, protecting privacy while allowing bona fide offers to reach the prior purchaser in confidence.

Once some of the Agents start reporting back to the Agent originating consignment node, the originating consignment node may report the results to the consignment node participant of the Agents' results. Such results may give the total number of matching items found thus providing the local participant/collector an indication of the depth of this market. It is understood that a local consignment node user may charge participants for Agent requests.

Computer Implementation

In the preferred embodiment of the present invention a consignment node may use a multitasking operating system such as UNIX, OS/2, NT or VMS. However, a Microsoft DOS or Windows implementation is within the scope of the present invention. The consignment node may be networked via TCP/IP and the internet or a private TCP/IP network or X.25 private or public network or service providers network of ISDN, ATM and the like. It is understood, that a consignment node may support a plurality of protocols simultaneously. Moreover, it is understood that the participant interface application program may execute on a wide variety of platforms such as PC's, MAC's, Power PC's, workstations, cable set-

top boxes, video game hardware and the like and are within the scope of the present invention. The posting terminal embodiment is discussed in detail below.

BRIEF DESCRIPTION OF THE DRAWINGS

5 Figure 1 shows the consignment node of the present invention may have a computer 10, a data storage device 22, a tape drive 24, a digital camera 12, a bar code scanner 14, a display 16, a keyboard 18, a laser printer 20, and a network connection 26. A participant user terminal is shown at 28.

10 Figure 2 shows a schematic block diagram showing the logic flow of a user log in at a consignment node.

 Figure 3 is a schematic diagram showing the logical flow of the consignment node auction process.

 Figure 4 is a schematic diagram showing the logical flow of the consignment node market or browse mode.

15 Figure 5 is a schematic block diagram showing the logical flow for posting a new used good on the consignment node.

 Figure 6 is a schematic diagram of a subroutine that may be used to post auction bids.

20 Figure 7 is a schematic diagram of a subroutine that may be used by the consignment node auction process to receive participant auction bids.

 Figure 8 is a schematic diagram showing the logical flow for a subroutine that may be used to transfer ownership of an item.

 Figure 9 is a schematic diagram showing the logical flow for a consignment node in-store sale of a good.

25 Figure 10 is a schematic diagram showing the logical flow of post-processing and analyzing consignment node sales.

Figure 11 is a schematic diagram showing the logical flow of the consignment node Agent handler subroutine.

Figure 12 is a block diagram of the posting terminal to market maker computer connections.

5 Figure 13 is a diagram showing a user interface on a posting terminal or consignment node.

DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENTS

It is understood that the get session identification procedure 100 is a routine
10 that monitors the communication ports and virtual communication ports residing on a protocol stack. The consignment node may use, for example, a X.25 interface card, available from Eicon Corporation or Frontier Corporation to execute an X.25 protocol stack in a PC workstation. The get session identification 100 program may monitor the X.25 protocol for incoming calls. If the program identifies an incoming
15 call it may answer the call by transmitting the appropriate X.25 packet to the network on the appropriate virtual channel. It is understood that other protocols, such as TCP/IP, DECNET, SNA and ATM are within the scope of the present invention and that multiple protocol stacks may simultaneously execute in a consignment node. Therefore, the get session identification program 100 may have
20 multiple instances to connect and monitor the various protocols. After the get session identification 100 has appropriately answered an incoming call to the consignment node, it may invoke the display welcome message and menu routine 102.

It is understood that the get session identification 100 provides sufficient
25 information to the display welcome message and menu 102 to allow the display welcome message and menu 102 to connect to the appropriate session or virtual channel. At this juncture, if the participant is using an approved interface program,

the interface program will send a predetermined code to indicate its version and other characteristics of its display driver. If a participant is logging in from a TTY terminal or other terminal the display welcome message and menu 102 may detect this information and send the appropriate TTY welcome message. This procedure
5 may also be used to identify features and languages supported on various internet world wide web browsers. It is understood that the welcome message is viewed by the consignment node user as virtual advertising space that may be sold by the consignment node user or coordinated with the master control node (discussed in detail below). The participant may respond to the display welcome message and
10 menu 102 program by giving an appropriate log on response 104. The get log on response 104 may verify and grant a level of access privileges to the participant. It is understood that the consignment node user may require the get log in response 104 to retrieve a credit card number, pin number, user ID and the like, to grant access privileges. If a participant is using a TTY terminal those sessions may be shunted to
15 the download interface program (DIP) 106 routine to receive an appropriate interface program from the consignment node. The DIP 106 may present a list of choices as to what version interface program should be downloaded, such as DOS, Windows, UNIX, MAC platforms and what transfer program is desired such as Kermit, Xmodem, FTP and the like. A participant with a participant interface
20 program may also elect to receive a new interface program from the DIP 106. It is understood that an older, no longer supported interface program participant may be shunted to the DIP 106 to receive a new interface program.

A participant with a supported interface program may select the auction 108, market 110 or agent handler 112 sections of the consignment node. If a participant
25 selects auction 108 the participant may be presented with a menu of auction selections such as auctions in session, future auction times, dates, locations and topics, and auction preview. If a participant selects auctions in session the

participants' session is passed to the appropriate auction handler, as discussed below. If a participant selects future auctions the participant will be given a list of future auction times, dates, terms, locations and topics of auctions on this and other consignment nodes. It is understood that these displays represent a virtual
5 advertising opportunity for the consignment node user and the advertising space may be sold by the consignment node user or by the master control node. If the participant selects the auction preview, the auction process 108 passes the participant session to the market session 110 with data that indicates an auction preview desired by the user.

10 If the participant selects the market 110 choice the participant is given a menu of markets that the participants may browse, discussed further below. If the participant selects the agent handler 112 the participant may be provided with an electronic form to create a search for a good. The participant may then execute this Agent's search request to search the network of consignment nodes databases to
15 look for the desired goods. The Agent is discussed more fully below. The Agent Handler 112 also receives incoming calls from other agents to process the external agents search request on the consignment node. The participant interface and consignment node participant functions are discussed in detail below. It is understood that the agent may also function between virtual markets on a market
20 maker computer and with the transaction archive database discussed below. The discussion now turns to the operation of the consignment node by the user.

Figure 3 shows a logical flow diagram of the steps the consignment node may use to create a database record of a good for sale or for auction.

The consignment node user may invoke the consignment node program to
25 enter the posting 200 mode to create a data record for the good. The posting 200 mode initializes 204 the consignment node to receive information on a new good. The initialization 204 step displays a data record with data fields on the consignment

node terminal for the user to fill in information on the good. The initialization step 204 also initializes the consignment node peripheral devices such as the digital camera 12 and the printer 20. The consignment node user then "photographs" or digitizes the image of the good from one or more perspectives as well known to the digital camera arts. The consignment node receives the digitized image(s) at receive image 206 step. The consignment node program then prompts the consignment node user for information on the good 208. The consignment node receives information 210 that the consignment node user inputs to the data record displayed at step 208. The consignment node program verifies 212 that the necessary information, such as owners name, reserve price, market or auction designation is in the data record. The verify step 212 will reject the record and return the consignment node user data entry mode 210 if the record does not have the minimum information. If the record is verified 212 as complete enough to commit to the consignment node database, a data record is created 214 and linked into the consignment node database. The consignment node program then generates and prints a bar code 216 that indicated the data record. The bar code system is used by the consignment node to maintain an accurate inventory and is a hook for local sales (discussed below). The posting routine may then exit 218 and return from the posting program. By repeating the posting routine of figure 3 the consignment node user may build a database of goods for the consignment node market, auction and/or agent searches.

Figure 4 shows the logical block flow diagram of the processes the consignment node may take to execute an auction. It is understood that the consignment node user may manually invoke the auction process, or may schedule the consignment node to execute the auction process. The auction process begins by initializing 250 the data structures, records, queues and the like to conduct the auction process. The connection between the auction process and auction

participants is discussed below. The auction process gets the first item to be auctioned 252 from the database of goods to be auctioned 254. The consignment node then calculates the opening bid 256 by a predetermined formula such as 50% of the reserve or general solicitation of an opening bid is posted to the auction participants 258. The consignment node auction mode then scans the participants for a higher bids 262. If a higher bid is found the new bid is posted 264. It is understood that the steps of checking for bids 260 determines if the bid is higher 262 and posting the new higher bid 264 is repeated until no higher bids are received. After the typical auction closing of going once ... twice ... three times the auction is closed 266. The consignment node auction program then compares the highest bid received with the good's reserve price 268 to determine whether to transact the sale. If the highest bid is greater than the reserve price the consignment node auction process posts sold! for xxx amount to the auction participants and calls the transfer ownership subroutine 270, discussed further below, and transfers the ownership of the good. If the highest bid is less than the reserve price the consignment node auction process announces no sale! 272 to the auction participants. The auction process then proceeds 274 to get the next good to be auctioned 278. The consignment node auction process is then repeated until all the goods to be auctioned have been run through 278. The consignment node auction may then close and terminate the participant sessions 280. It is understood that the transfer ownership 270 sub-routine may require time to clear the transaction and, therefore, may be best implement as a spawned child process to the auction process. This will keep the consignment node auction executing at an exciting and fast pace for the participants. The consignment node auction process itself may execute in several instances to provide simultaneous auctions on a consignment node. Thus a consignment node may conduct several simultaneous auctions on several virtual runways. It is understood that in the auction mode the consignment node and the

participant interface software may communicate using a protocol that allows the consignment node auction driver to "point to" locations stored in the participant interface software, to cause the participant interface software to generate the sound of a auctioneers voice on the sound blaster, or equivalent board. Thus, the present invention uses pre-stored sound samples of different auction prices and auctioneer "string" along aural calls inside the participant interface software, and allows the generation of said pre-stored sound bites to be invoked by the consignment node driver through the said special protocol. This method greatly reduces the bandwidth necessary for a consignment node to support the generation of exciting auctioneers calls at a plurality of participant terminals. It is understood that the generation of an audio bit stream from the consignment node to the participant terminals is also with the scope of the present invention.

Figure 5 shows the logical flow for the post bid subroutine 300. The post bid sub-routine may be invoked from several consignment node processes, those specifically described thus far are the post opening bid 258 and posting bid 264 logical processes. The post bid 300 sub-routine is used to communicate between a consignment node and multiple participants. The post bid 300 sub-routine gets participant session identifications 302 from a data record or data structure that contains a list of session identifications of participants who have logged onto the auction sessions. The next step sends the bid passed to the post bid 300 subroutine to each participant session identified in the data structure 306. Bids are posted to each participant through an appropriate driver 308. The driver may be identified for each particular user session. For example, a PC user logged into the consignment node via an X.25 virtual channel may require a host PAD driver in the consignment node to communicate asynchronously to the PC terminal interface application. A network user may require a TCP/IP driver to connect between the consignment node and the participant networked terminal. After communicating the bid to

participants through the appropriate device driver 308, the post bid sub-routine may exit and return 310 to the calling routine.

Figure 6 shows the consignment node subroutine to check participant sessions for bids during the auction mode. Check for bids 350 maybe a subroutine
5 called by the auction program to scan for bids. It is understood that when a participant logs into the consignment node and selects the auction mode, (see figure 2), the participant's session identification is passed to a data structure. The data structure maybe used by the check for bids 350 sub-routine to correctly identify participants at a particular virtual auction. As noted above, the consignment node
10 may support multiple simultaneous auctions, therefore, may require multiple instances of the aforesaid data structure. The check for bids sub-routine 350 opens or connects to the appropriate data structure storing or holding participant session identifications who are participating in the check for bids calling auction program instance at the get session identification step 352. The buffers associated with each
15 session is scanned for an input 354. If a participant has input an "exit" command or symbol 356 the routine removes that participant's session identification from the auction identifying data structure and allows the participant to exit 362 the auction. The participant's session identification may be returned to a data structure that allows the participant to return to the consignment nodes main menu, see figure 2,
20 or terminate the participant session. The subroutine then compares the bids and takes the highest bid 358. If bids are tied for the highest bid the sub-routine may use the first received bid and reject the others 358. The sub-routine then notifies the participant session who had the highest bid 360. It is understood that the take the highest bid step 358 and notify bidder step 360 are aware of the current bid price for
25 a good and will not allow a lower bid to be accepted. It is understood that the participant session buffers are flushed after they are scanned to remove old or latent bids. The check for bids sub-routine then returns to its calling routine.

Figure 7 shows the transfer ownership routine 400 that may be used to transfer the ownership of goods and collectibles in the consignment node. The transfer ownership sub-routine may be called from several consignment node modes and processes to effect the transfer of legal ownership. The first step in the transfer ownership sub-routine 400 may be to verify a participant purchaser information 402. It is understood that the consignment node may use a variety of well known authenticating procedures to verify a participant, such verification techniques include personal identification numbers (PINS), passwords, call back, and a plethora of encryption techniques and personal information identification means to provide a reliable verification technique. It is understood that a consignment node user may have established a credit or deposit account for the participant from past sales or the transfer of funds and the verify step 402 may connect the participant to the account. The clear charge 404 step is used to clear the participant consignment node transaction. It is understood that this may be via an external credit card clearing network, a connection to a credit account, or through one of the many proposed electronic fund transfer schemes such as debit cards, e-money, and clearinghouses. After the transaction clears the charge 404, the consignment node credits the consignment node users commission account 406 to extract the consignment node transaction fee. The consignment node then transfers legal ownership 408 of the good by changing the ownership entry in the data record in the consignment node of the good. The consignment node may then print a record of the transaction 410. It is understood that step 410 may also be used to keep a log on the consignment node storage or tape drive. The consignment node then removes the good from sale or auction status 412. It is understood that the data record representing the good is "locked" during the transfer ownership sub-routine to prevent collisions of actions and transfers of the good. If the participant has elected to ship goods then the consignment node will print a shipping label 404 for

the consignment node user to attach to the good for shipment. The transfer ownership routine may then exit 416. If the participant has elected to re-post the good or collectable the participant may specify a new reserve or offer price for the good or collectable. It is understood that the purchasing participant may elect to
5 leave the good or collectable at the consignment node and post a new offer or reserve price and may identify that the good is on the market, e.g. may be bought and sold at any time, or that the good is awaiting an auction date. Moreover, the participant may elect to have the good viewable on the market or "invisible" to the market while awaiting an auction date 422. It is understood that the participant
10 may elect to leave the good at the purchased consignment node and electronically transfer the offering of a good to another consignment node. It is understood that consignment node users may run a "trusted" network between consignment nodes to provide the trust between merchants, that the goods exists and that the network between the consignment nodes to provide for electronic presentment of a good is a
15 secure network connection. This allows collectable goods to be concentrated for a single electronic auction or virtual collectable market on a market maker consignment node without incurring the costs of shipping the goods to a central location to bring the good to the market maker consignment node. It is understood that the trusted posting of goods on a market maker node is a value added feature a
20 small town consignment node user can provide to his immediate collector community. It is understood that the master central node may also serve as a legal consignment node franchising authority to provide enforcement of integrity, security and quality control for the consignment node network.

Figure 8 shows the consignment node routine that may be used to establish a
25 virtual market. The market 450 may be selected from the consignment node main menu, see figure 2, to allow a participant to browse the consignment node goods database. The market 450 will display to the participant market categories 452,

categories may be defined by the consignment node user to reflect the specialization of his consignment node and the specialized markets or miscellaneous markets for his goods. The consignment node then gets the participants response 454 to the market choices. The consignment node may then display market sub-categories 456.

5 Again, the consignment node user may specify market sub-categories to reflect the specialization of the consignment node. The consignment node may then display items 458 and get the participant or market user response 460 to the displayed choices. It is understood that the participant may browse or scroll through the goods on the market 462, 458, 460 until the participant responds with a desire to exit

10 the market 463. If the response is a desire to transfer to the market root directory 464 then the consignment node will return the participant to the market subcategories 456. If the participant responded with a desire to terminate the session 466 the consignment node will exit the market and terminate the participant's session. It is understood that during the browse loop 458, 460, 462 a participant may elect to buy

15 or make an offer on a good and may invoke the transfer ownership routine, see figure 7, to effect the transfer of a good's ownership. It is also understood that a participant may make an offer on a good below the asking (or offered) price. Such a proposed offer may be stored by the consignment node and used to notify the good owner. The good owner may then accept the counter offer or reject. It is understood

20 that a participant counter-offer may be made subject to an acceptance before date. It is also understood that a participant may establish a "buy at" or "sell at" price/quantity for any good in the market.

Figure 9 shows a logical flow diagram of the process that may be use to transact the transfer of ownership of goods on a consignment node at the store

25 where a consignment node may be located. The consignment node user invokes the store sale sub-routine 500 from a consignment node user terminal, see figure 1. The consignment node user may use the bar code scanner to scan the bar code of the

good for sale 502. It is understood that the consignment node user may manually recall or search the consignment node database for the data record of the good or may let the consignment node software use the bar code to automatically retrieve the record 504. The data record is then scanned to retrieve price and sale
5 information on the good 506. It is important to note that a good, while on display at a consignment node user's shop may have transferred ownership and changed price via network participants. The consignment node then displays this information 508 at the consignment node user terminal. The store customer may then elect to purchase the good. The consignment node may process a store customer purchase
10 request by calling the appropriate sub-routine to transfer ownership, see figure 7, of the good.

Figure 10 shows a logical process diagram for the central node to collect and process data concerning transactions on a plurality of consignment nodes and provide value added feed back to consignment node users on market positions and
15 trends. Data processing 550 may be executed on a consignment node or the central node to extract transaction data from a consignment node. It is understood that the tape drive, or storage device may be used to log network transactions on the posting, auctioning, buying and selling of goods and collectibles on a consignment node. This information may be collected by the central node over the consignment
20 node network. The central node may then plot sales, sale date, price over time and the like to create graphs of market performance 554. It is understood that the data correlation and processing steps 554, 556 may be customized to provide a particular consignment node user with useful market information. The central node may also provide hard copies or electronically transfer the information to the consignment
25 node users. It is understood that this may be a value added feature of a service that may be provided by a franchiser. It is understood that the central node may log into a consignment node, with well known remote processing and data transfer

techniques such as the logon and FTP UNIX utilities to make changes to the aforesaid virtual advertising space on a consignment node.

Figure 11 shows the agent handler the consignment node may use to establish agent-to-agent and consignment node - to - consignment node connections to process participant agent requests. The agent handler 600 may be entered by a predetermined series of codes and verification procedures to verify a request for an agent connection to the consignment node is from a bona fide agent and a bona fide consignment node. Once this is verified the agent handler may establish a session for the requesting agent 602. The requesting agent may then transfer its agents request to the consignment node 604 and the consignment node may then check its local database 606 to try to match the agents search request. The agent handler may then respond to the agents request 608 and terminate the agent session 610.

A second embodiment to the present invention, shown in figure 12, uses a low cost portable "posting" terminal to allow the virtual presentment of goods to market. The posting terminal has a digital camera, a bar code printer, a bar code scanner, a modem and posting terminal software. The posting terminal works in conjunction with a market maker computer. The market maker computer has a database of goods for sale, a posting/de-posting communication handler, a database to world wide web (www) mapping module, a www server, a transaction process, a posting terminal communication manager, a sold database, a shipping database and an account database and has much of the functionality of the previously described consignment node.

The posting terminal and market maker computer functional block diagram is shown in figure 12. The posting terminal has a camera interface 701, and image processing module 702, a record maker module 704, a storage unit 710, for storing images and records that have not been posted, a post module 712, a select records module 714, a post request module 716, a print bar code module 718, a get mail

module 720, a storage unit for holding posted records and return codes 722, a de-post module 724, a get code module 726, and de-post request module 728, a bar code scanner interface 730, another instance of the get mail module 720, a mail sales routine 738, a print shipping label routine 740, a notify store routine 740, and a check sales module 734. The posting terminal 700 contacts a market maker computer 800 to check sales, to post goods, to de-post goods and to receive mail. The posting terminal 700 is easier to administrate than a consignment node because it behaves like a retail point-of-sale terminal to manage goods that have been posted and are locally sold. The bar code labeling and scanning routines and methods make it easy for the posting terminal user to maintain an accurate account of what goods have been posted, de-posted, sold and/or shipped. The posting terminal may use an MS-DOS or MS-WINDOWS operating system that is much easier for a small store owner to operate and administer than a complex multi-user system like UNIX or WINDOWS NT.

15 The posting terminal 700 functionality begins with a user taking a digital picture with the posting terminal digital camera and connecting the digital camera to the camera interface module 701. The user selects an icon on a graphical user interface generated by the posting terminal software to pull the digital pictures from the digital camera. It is understood that other input devices such as scanners and the like may be use in place of the digital camera. The image process module 702 may convert the digital picture to a compressed data format such, as JPEG or MPEG, more suitable for communication of the image across a data link. It is understood that the image may keep it's full resolution for posting. The posting terminal then invokes the record maker routine 704. The record maker routine 704 may display the image or allow the user to select an image from storage unit 710. The record maker may display on a posting terminal display a data entry record with pre-

defined text fields, number fields, "buttons," knobs and other graphical user interface objects to allow a user to enter data to complete a posting record.

Figure 13 shows an example of a graphical user interface that may be presented to a posting terminal 700 user. The graphical user interface for the posting terminal 700 may include an image of the item represented by the record 920, a description of the item 922, and 924, the "push button" commands to receive pictures from the digital camera 926, to post a record 928, to clear a local sale 930, to de-post a record 932, to access files of records 934, to view and/or receive and send mail 938, a database category field 940 with a pull down selection bar 942, a database subcategory 944 with a pull down selection bar 946, a code field 948, a posting date field 950, a store identification 951, a market designator field 954, a description field 956, a reserve or wholesale price field 958, and identifier 960, a retail or full price field 962 and identifier 964. The category 940 and sub-category 944 data fields are restricted to selections that can be made by the respective pull down bars 942 and 946. This aids the posting terminal operator in selecting the correct market for the good when creating a record and assures that all records can properly link into a market computer 900 market database. A file may be stored at posting terminal 700 that corresponds to database structure at the market maker computer 800. Having the database structure in a file at posting terminal 700 may allow the posting terminal to receive updates by remote file transfer techniques, such as the KERMIT, FTP, xmodem and ymodem protocols. It is understood that certain selections from the market category 940 and subcategory fields may be "greyed" or that is blocked from selection by a posting terminal 700 user to enforce a franchise and/or license grant that only allows posting in a certain field. This may allow a franchising scheme that restricts a franchisee to a field of use and/or category of goods. The code field 948 displays the bar code data in text form that the market maker computer 900 sends to the posting terminal 700 when a record is

successfully posted. Therefore, the code field 948 can serve as a quick visual confirmation to the posting terminal user that the displayed record has been posted. The market field 952 may also be a restricted selection field accessible by pull down selection bar 954. Fields selectable by the market field 952 may include auction, on-sale, hold and the like to give additional directionality to the record posting. The price 964 and reserve price fields 958 may be used to structure the two-tiered market of dealer-to-dealer and retail markets. The reserve price identifier 960 and reserve price field 958 may be hidden from view to retail participants. A dealer may be provided with special logon identifications and passwords to view the reserve price 958 and reserve price indicator 960. This feature encourages franchisees to use the electronic market for collectable goods dealer participant interface to generate local sales.

The posting terminal 700 user enters descriptions such as the name of the item, the sale price of the item, and a brief description of the item and the like to compose a record. It is understood that a posting terminal user may enter a retail price and a wholesale price. The retail price may then be displayed to participants 900. Other retail participants 902 may receive the wholesale price. It is understood that this two-tiered pricing scheme may be used to network retail store owners to provide additional incentives for the retail participants to use the network to locate goods and generate sales at the retail point of sale. For example, a retailer may charge the retail price for goods to store customers, while obtaining the benefits, e.g. the profit margin of wholesale or discounted pricing for goods. It is understood that the restricted fields are coordinated with the structure of the For-Sale database 814 to guide a posting terminal 700 user in the proper selection of a market category and subcategory of the posting of a good. Categories may include jewelry, rugs and tapestry, tools, quilts, furniture, art deco, books, pens, coins, stamps and costumes and clothing. Subcategories may include painting and drawings, sculpture, vintage

clothing, costumes, shoes, bags, hats, wedding gowns, furs, rug types and the like to structure the database. The user may also select from a list box what category and sub-category from restricted fields in which to post a good. Referring back to Figure 12, the user may store a composed record on the storage device 710. The record maker routine may also contain a command button 706 to immediately post the record 708. It is understood that the user may designate a time at which the posting terminal 700 may automatically contact the market maker computer 800 and post the selected goods. The post request 716 module may allow a user to select records from storage unit 710 or as in the case where the user selected the immediate post command 708, the post module 712 may accept a record as an input. The ability of the posting terminal 700 to store and select records for posting asynchronously from when a record is created allows a user to compose records when the posting terminal is isolated from communication with a market maker computer 800. The post module 712 may invoke the post request module 716 to post the designated records on the market and make a virtual presentment of a good. Rules and procedures may be imposed on the posting terminal 700 user through licensing and franchise agreements. Such rules may include the requirement that all goods posted must be in the physical and legal possession of the posting terminal franchisee or licensee, that legal possession of a good may be obtained by lawful ownership or through a franchise approved bailment or consignment contract. It is understood that these rules and legal frame work may be imposed to allow the posted record to convey a legal title to a good such that the ownership designated in the record grants lawful ownership to the good designated by the record. The post request module 716 may use a communication package and protocols to transfer the records to the market maker computer 800. Communication libraries are packaged and are commercially available from WCSC 2740 S. Dairy Ashfor, Suite 188, Houston TX 77077 and from Marshallsoft Computing, Inc. at P.O. Box 4543 Huntsville, Alabama

35815. The communication protocols such as FTP and KERMIT may be enhanced by using known encryption and authentication techniques to provide an ultra-secure posting interface. The posting record may also include a header that identifies a store identification, user identification, passwords and the like to allow the market maker computer 800 to verify authenticity, approve authorization and track usage of the posting terminal 700 by a particular posting terminal 700 and posting terminal user.

The market maker computer 800 may verify and accept a record and generate and send a unique bar code number for each record. The bar code number may contain a code that identifies a posting terminal 700. The posting terminal accepts the bar code and places the code in the appropriate record. The unique code generated for each successfully posted record may serve as confirmation that a good has been successfully posted. The record may then be stored on storage unit 722 as a confirmed posted record. When the posting terminals' post request module 716 is finished, the posting terminal 700 or the market maker computer 800 may invoke a mail update routine 720 to pass mail from the market maker computer 800 to the posting terminal 700. Mail topics may include sales information 734, network news 736, and notification of upcoming events 738. The de-post module 724 may use the bar code scanner 730 to receive a posted collectible's identification code. The de-post module 724 may call the de-post request routine 728 to establish communications between the posting terminal 700 and the market maker computer 800. The de-post request module 728 sends the item or collectible bar code to the post/de-post handler 802. The post/de-post handler 802 may remove the collectible identified by the bar code from the for-sale database 814, if the de-posting terminal identification has legal title to the identified collectible as indicated in a for-sale record, the market maker computer 800 may send a de-post confirm code to the posting terminal 700. The posting terminal 700 may process the confirm signal by

indicating that the de-posting procedures was performed. If legal title to the posted collectible good does not belong to the de-posting requesting entity, e.g., the de-posting terminal 700 then indicated by the posting terminal identification, the market maker computer 800 may report the collectible good status, e.g., sold!, to the de-post request module 728. This may indicate to the posting terminal user that a bailee relationship now exists between the store and the new legal owner. It is understood that this bailee relationship may be contractually created and enforced through the franchise contract between the posting terminal user and the franchise granting authority. It is also understood that the bailee agreement may be for a predetermined time and/or require the posting terminal user to hold a good for a predetermined time and/or ship the good to a long term storage facility to ease the bailee burden of posting terminal users where a participant elects to hold legal ownership but keep the good available in the electronic market place for the long term. It is understood that a bond and/or insurance requirements may be required for the posting terminal user and/or the long term storage facility to provide assurance to a long term collectible investor that the risk of loss of the collectable good asset is maintained or at least hedged against loss. It is understood that a good may have sold and the new owner has elected to re-sell the good at a higher price. In this instance, the de-posting terminal will be advised that the good has been sold and advised of the new sales price. The posting terminal may then transact the local sale at the new price. After the de-post request module 728 is finished it may invoke or the market maker computer 800 may invoke the get mail routine 720 to send mail between the market maker computer 800 and the posting terminal 700. It is understood that through the procedures of generating a unique code for each posted good, checking a unique code that identifies each posting terminal 700 against the legal owner entry in a posted good on the market maker computer 800 the database of for-sale goods 814 will be extremely reliable and accurate and assure that a locally

sold goods that have already been sold on the market maker computer 800 will not be inadvertently sold twice. The procedures, when used in conjunction with the rules and procedures imposed on the posting terminal user through a franchising or licensing legal framework assure that, (1) when a record of a good is found on the market maker computer 800 by a participant 900 or another retailer 902, it is in fact for-sale and is in the physical and legal possession of a "trusted" franchise and (2) that when a bona fide purchase price is tendered by a participant 900 or another retailer 902 the legal title to a good as represented by the record will transfer to the buyer with an immediate or nearly immediate finality to the transaction. This frame work of trusted franchisee, high confidence and accurate market database, and the legal finality of transaction, where the legal transaction/"cash" clearing function is performed by the market maker computer, e.g., the participant credit card number or other payment means is only revealed and brokered by the market maker computer 800, is a massive step toward building confidence and trust between a small collectable merchant and participant with electronic transactions. These procedures may be used to give assurances and create trust to participants, who for example would like to buy and art deco collectable from a collectable shop in Russia but is very reluctant to send credit card information to an unknown Russian collectable shop for the obvious concerns of credit card fraud and/or fraud in the bona fides of the collectable good itself. Here, however, the franchising authority polices the franchisees to revoke the franchise if a fraud and/or misrepresentations of the bona fides of a collectable good is taking place by the posting terminal user and the assurance that credit card numbers are only revealed to the market maker computer 800 and not accessible to the, in this example, the Russian collectable store. This allows the Russian collectible store to receive the business good will of the electronic collectible market place of the present invention to establish immediate trust with prospective electronic customers.

The market maker computer 800 may have mail module 801, a post/de-post handler module 802, a security module 804, database server 806, a database to www map module 808, a www page server 810, a transaction processor 812, a for-sale database 814, a sold database 816, a shipped database 820, and an account database 824. A www to database mapping 808 module is commercially available from Expertelligence, Inc., Santa Barbara, California at (805) 962-2558. Such a mapping module may map a ODBC database such as Microsoft Access to a www page. The market maker computer 800 may serve four primary functions. The first function is the call handler for processing calls from a posting terminals 700. The second function is a database to www mapping function to present participants 900 and other retailers 902 with a means to access the market database. The third function is to provide a means to process transactions from participants by clearing a transaction and transferring legal title to a good. The fourth function is to provide a means for managing the notification of the sale of a good to posting terminals 700.

The market maker computer 800 may use an accounts 824 database to track payments due to posting terminal 700 users. The clear accounts 825 module may print checks due to posting terminal 700 users. It is understood that electronic funds transfer techniques may be used for clearing account balances 825 for posting terminal users. A modem bank 803 may be used to receive posting calls from posting terminals. It is understood that the modem bank may be replaced by a network connection to the internet. At this juncture it is believed that an off-line, that is a modem bank, connection offers the best security for the posting of goods. However, it is understood that a network connection, e.g. through the internet, is within the scope of the present invention.

A security module 804 may be used to provide identification and password security. It is understood that other security and authentication techniques may be used at security module 804. It is understood that database server 806 may be an

ODBC server available from many commercial database providers. Much of the market maker computers 800 functionality is disclosed above in the consignment node functionality. The databases may be structured to indicate of for-sale 814 database and sold database 816, and auction database 817 and a shipped database 820. It is understood that records may move between the databases by book entry transaction. The transaction processor 812 may use RSA certificates and/or other well-known techniques to process secured transactions between the market maker computer 800 and participants 702 and 902. It is understood that the transaction processor 812 may interface with external payment systems 826. It is understood that participant accounts may be tracked at the market maker computer 800. Moreover, it is understood that account surpluses may be acquired by participants speculating in collectable goods may be invested in highly liquid and safe assets such as U.S. Treasury bills to provide and interest bearing accounting for positive cash balances. This provides an incentive, or at least a hedge against inflation, for a participant to keep funds within the collectible market place and to use these funds to speculate in the collectible market. By using funds available at the market maker computer 800 participants can reduce the transaction costs associated with credit cards and other transaction clearing means and optimize the participants' return on price movements in the buying and selling of collectable goods. It is within the scope of the present invention to allow access to the electronic collectable market through stock brokers, banks, and other transaction providers through these providers private transaction networks, e.g., those networks that use dial in telephone lines to home computers and/or dedicated data lines. It is within the scope of the present invention to allow professional investment advisors to operate funds such as investment companies, mutual fund partnerships and the like, that use collectable goods as part of the funds assets. It is understood that the market "history" may be archived and provided to investment advisors and/or posting

terminal users and/or participants on a CD-ROM or other mass storage medium to allow off-line analysis of trends in the collectable goods market. This will allow or create a new class of "learned" speculators in this unique, novel and non-obvious electronic market place and network of trusted franchisees in the collectable goods domain. It is also within the scope to the present invention to create the liquidity, volume and availability analysis to allow the creation of a secondary and derivative market for option and futures contracts and other speculative constructs to be created with the underlying assets as collectable goods in the electronic market place of the present invention.

Many variations of the present invention are possible once the present invention is known to those skilled in the arts and are within the spirit and scope of the present invention. Those skilled in the arts will be able to make many variations on the present invention once this invention is known to the arts.

THEREFORE, I CLAIM:

1. A system for presenting goods to an electronic market for goods,

comprising:

- 5 an image of a good, user interface software to create with a user a record of a good,
and digital interface to transfer said record of a good;
a posting handler connected to said posting terminal via said digital interface,
said posting handler processing a posting request from said posting terminal;
a database operably connected to said posting handler, said database storing
10 information from said record of a good;
a database to presentation layer mapping module, said presentation layer
mapping module communicating data from said database and translating said data
to a presentation format; and
a transaction processor operably connected to said database server, said
15 transaction processor clearing financial transactions and transferring legal title to
said good in response to a participant purchase request.

2. The system of claim 1 wherein said posting terminal comprises:

- 20 a computer;
a digital camera operably connected to said computer;
a modem operably connected to said computer, said computer receiving an
image of a good from said digital camera, generating with said user a record of said
goods, said record of said good having a sales price and a description of said good,
and transferring said record of said good to said modem.

25

3. The system of claim 2 wherein said presentation layer is hypertext
transport protocol (http). *B*

4. The system of claim 2 wherein said presentation layer is the JAVA protocol.

5. The system of claim 2 wherein said participate accesses said database through an internet world wide web interface and world wide web browser.

Sub A2
10 6. A method for establishing an electronic market place for goods through a central market maker computer and a network of posting terminals, said method comprising the steps of:

creating a data record of a good at said posting terminal, said record of said good conveying legal title to said good;

transferring said record of said good to a market maker computer, storing said record of said good from said step of transferring in a database at said market maker computer;

15 displaying said record of said good to a participant;

clearing a financial payment from said participant for said good at said market maker computer; and

20 transferring legal title to said good at said market maker computer by changing ownership designated in said record of said good at said market maker computer.

7. The method of claim 6 comprising the further steps of:

accepting a new sale price for said good from said participant;

25 modifying said record of said good at said market maker computer to reflect said new sales price from said step of accepting; and

displaying said record of said good; said record of said good reflecting said new sales price to a second participant.

Sub A3

8. The method of claim 6 comprising the further steps of:

storing the record of said good, said record of said good denoting the sale

price; and

displaying said record of said sales of said good on a mass storage medium.

9. The method of claims 8 wherein said mass storage medium is CD-

10 ROM.

Sub A4

10. A method for establishing a two-tiered electronic market place for goods through a central market maker computer and a network of posting terminals, said method comprising the steps of:

15

creating a data record of a good at a posting terminal; said record having a retail sales price and a dealer-to-dealer sales price;

transferring said record of said good to a market maker computer;

storing said record of good in a database at said market maker computer;

displaying said record of said good to a participant, said record of said good

20

displaying the retail price of said good if said participant is a retail customer and

displaying said retail price and said dealer-to-dealer price if said participant is a dealer participant.

add A5

add 32

ABSTRACT

A method and apparatus for creating a computerized market for used and collectible goods by use of a plurality of low cost posting terminals and a market maker computer in a legal framework that establishes a bailee relationship and
5 consignment contract with a purchaser of a good at the market maker computer that allows the purchaser to change the price of the good once the purchaser has purchased the good thereby to allow the purchaser to speculate on the price of collectibles in an electronic market for used goods while assuring the safe and
10 trusted physical possession of a good with a vetted bailee.

Exhibit K

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014

CONSIGNMENT NODES

BACKGROUND OF THE INVENTION

This application is a continuation in part of U.S. Patent application serial number 08/427,820 filed April 26, 1995, incorporated herein by reference in its entirety. The present invention relates to used and collectible goods offered for sale by an electronic network of consignment stores. More specifically, the present invention may be an electronic "market maker" for collectable and used goods, a means for electronic "presentment" of goods for sale, and an electronic agent to search the network for hard to find goods. In a second embodiment to the present invention, a low cost posting terminal allows the virtual presentment of goods to market and establishes a two tiered market of retail and wholesale sales.

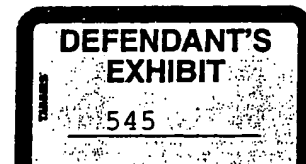
Certain items and used goods have a large following of collectors. These items include baseball cards, dolls, pens, watches, comic books, stamps, coins, and the like. It is well known to establish shops specializing in these items. It is also well-known to establish boards for the sale of used goods. And is known to sell new goods on a special television channel like the Home Shopping Channel.

The prior art does not provide a means to electronically market used goods or provide an avenue to allow participants to speculate on the price of collectable or used goods in an electronic market place. Moreover, the art does not show a way for small to medium size business to use a low cost posting terminal in conjunction with a market maker computer to collectively create a virtual market for used and collectible goods. Thus, to address the shortcomings of the art the present invention has the following objectives:

SUMMARY OF THE INVENTION

To establish a low cost computer means for a used good and/or consignment stores to establish a "trusted" computerized market for used and collectible goods.

To establish a computer means to administrate and provide inventory tracking to used good and/or consignment stores when the stores make a virtual presentment of a good to a computerized market and the good is sold at the virtual market and/or the good is sold through the store front.



To establish a computer means to double tier a computerized market for goods, where the first tier is a retail price and the second tier is a wholesale or dealer to dealer price and an authorized dealer has pre-approved access to the dealer-to-dealer price and may charge and display the retail price to a local store customer.

- 5 To establish a computer means for archiving records of transactions in a computerized market for collectible and used goods and distributing the archive to computer terminals that may then research and analyze valuation and price trends of collectible and used goods in the computerized market.

10 To establish a computer means for a used good store or consignment store to sell used goods and collectibles electronically and to provide the automatic electronic re-sale of goods purchased.

To establish a market for goods with a dominant electronic "market maker" node to allow collectors to speculate on the collectable goods market.

15 To provide the excitement of a "live" auction house type atmosphere to remote participants in a electronic auction.

To provide data analysis to the market makers of collectable good or consignment node users on the price, price movements, and quantity of collectable goods in the virtual market.

To provide an electronic agent interface for participants to search a plurality of consignment nodes to search for a used good or collectable item.

20 To provide a means to track down the owner of a particular used or collectable good.

Further, to provide a trusted network of consignment nodes that act as brokers to provide a means to electronically present a used good or collectable to an electronic market.

25 The foregoing objects and advantages of the invention are illustrative of those which can be achieved by the present invention and are not intended to be exhaustive or limiting of the possible advantages which can be realized. Thus, these and other objects and advantages of the invention will be apparent from the description herein or can be learned from practicing the invention, both as embodied herein or as modified in view of any variations which may be apparent to those skilled in the art. Accordingly the present invention resided in the novel methods, arrangements, combinations and improvements herein shown and described.

30 The present invention is a network of consignment nodes and a low cost easy to use posting terminal for the virtual presentment of goods to market. A consignment node is a

computer database of used goods preferably operated by a used good, collectable shop keeper or a bailee. A posting terminal is a low cost easy to use computer and computer peripheral devices used by a small store owner to present goods to a computerized marker and track the sales of goods and control the posted inventory. All consignment nodes users or operators, hereinafter

5 users, are "trusted" licensees or franchisers of the software and hardware necessary to create and operate a consignment node. Thus, the network provides a trusted means for consignment node users, e.g. shop keepers, to establish electronic markets for collectable goods, establish electronic auctions, establish a means for searching each others shops to locate hard to find collectibles items, and a means to electronically present goods to a market. The present invention will allow,

10 or license, certain consignments nodes to become a dominant market maker for a particular class of goods, for example, a consignment node franchise may be given the rights to establish the dominant market for collectable antique pens. It is understood, a central market maker computer may be virtually divided into different markets with posting terminals used as the means for the market to obtain virtual title goods. Other consignment nodes, after taking physical possession

15 of a good, may make an electronic presentment of that good to such a dominant consignment node market. Thus, a local collector of antique pens may bring a pen to a convenient consignment node in ~~small town~~, Smalltown, USA, the consignment network would allow this collector to electronically "present" his pen to the dominant market make node for antique pens in for example, Chicago. Participants, e.g. customers and collectors (hereinafter "participants"),

20 may reach a dominant node's market, or any other consignment nodes electronic store, from his or her home by logging on from a PC located at the participant's home to their locally operated consignment node and reaching the distant consignment node through the network of consignment nodes. Thus, each consignment node user, e.g. shop keeper, has a potential participant, i.e. customer base, of all consignment node participants. In other words, a

25 potentially huge customer base that incurs the minimal cost of a local consignment node connection may reach any other consignment node through the consignment node network. And local collector's may economically participate in the collectable markets by using local access to a convenient consignment node "trusted" bailee, and electronically presenting collectable goods to a ~~dominant~~ an electronic market.

30 A consignment node in a simple form may have a computer 10, a digital camera 12, a bar code scanner 14, a display 16, a printer 20, a keyboard 18, a database 22 and a network

connection 26 collectively called hereinafter a consignment node. The present invention also has a user interface application program to execute on a user or participant's data terminal 28.

The consignment node may have four modes of operation: a software download mode, an auction mode, a market mode, and an agent mode. The software download mode allows a participant to log into the consignment node and receive a download of a participant interface application program. The auction mode allows a participant, from the participant interface application program, to log into a consignment node to partake in an electronic auction. The market mode allows a participant with the participant interface program to log into a consignment node to browse the consignment node database to search for a used or collectable good. The agent mode allows a participant to log into a consignment node to formulate a search request for a particular used good or collectable. The consignment node may search its own database for the requested good and/or generate agents to search and report back a search request of other consignment nodes.

The present invention may allow a participant to electronically purchase goods from a consignment node and to select whether the good should be shipped to a participant designed location or the participant may take electronic legal ownership of a good and post a new participant defined offer or reserve price. By the interaction of a plurality of participants buying and selling collectibles on a consignment node, posting "buy at" and "sell at" quantities and prices the consignment node may establish a market or become a "market maker" for collectable goods. A participant may also elect to electronically transfer or present a good to a different consignment node or market. This allows a participant to speculate with collectable goods on the consignment node network's different markets and not incur the shipping costs with physically moving the goods, while providing a trusted means to assure potential buyers of the good's bona fide availability and legal title.

The consignment node operator or purveyor, hereinafter referred to as the consignment node user, establishes his consignment node by creating a database of used goods or collectibles, hereinafter the term "goods" shall be used to reflect used goods, new goods and collectibles. The user takes the first good to be put on the database and invokes the consignment node software to create a data record. For example, the user owns a baseball card collector shop and the user wants to post his Babe Ruth collection. The user in this instance invokes the consignment node to "build the database mode" and the invention initializes the digital camera 15. The user then

"photographs" or digitizes the image of the particular Babe Ruth card. The consignment system then displays an empty database record on the display to accept text information concerning the card.

5 The user fills out the display record with information concerning the particular Babe Ruth card. The consignment node verifies that enough information has been filled out in the displayed computer record, as well known to the electronic database arts, and accepts the record. It should be noted that the consignment node database record has data fields for the consignment node user to add value to his consignment node postings with subjective information such as condition of the card, special features such as autographed by Babe Ruth, and the like. Thus, the
10 consignment node user may build business goodwill into his particular consignment node operation by establishing his own particular subjectivity and quality standards in item postings.

After the data record or the particular Babe Ruth card is accepted by the consignment node the system may print out a bar code label on the printer 20. The user may then put the particular Babe Ruth card into a plastic bag and affix the bar code label to the bag. The bar code
15 labeling system becomes a useful inventory management tool discussed below.

It is understood in this first example that the consignment node user is the legal and equitable owner of the Babe Ruth card and that the user posted a reserve or offer price on the particular card at his posting. In a second illustrative example, a local resident would like to post, for example, his Frank Robinson baseball card. The resident brings his Frank Robinson
20 card to the baseball card store and tells the consignment node user he would like to offer his Frank Robinson card for a consignment sale. Again, the consignment node user invokes the system database posting mode and "photographs" the Frank Robinson card with digital camera 12. As above, the user fills in the system generated display prompt for information concerning the Frank Robinson card. The resident informs the user of the reserve or offer price and signs or
25 agrees to a consignment contract with the consignment node user to accept the consignment terms to pay the consignment node user on the sale of the card, for example 6%, of sales price as a consignment fee. Again, the system may print the appropriate bar code for the Frank Robinson card. The consignment node user then takes possession of the card and may affix the bar code label to an appropriate cardholder. It should be noted by the consignment node user may again
30 "add value" to his consignment node by entering subjective criteria in the database entry for authenticity, condition, special attributes and the like. The participant or local resident may now

electronically present his Frank Robinson card to any consignment node, consignment node auction or consignment node market maker in the consignment node network.

These processes may be repeated again and again to establish a substantial database of goods for sale. It should be noted that the consignment node user may at his discretion take postings from reputable dealers or collectors via a facsimile machine or other forms of electronic or verbal presentment of a good for sale. It is within the sound discretion of an individual consignment node user to establish these practices. It is within the scope of the invention, however, to take electronic postings from other consignment node users or individuals over the network, as discussed below. Each consignment node user may be a franchisee of a central franchiser and the franchiser may police the network to give quality control, detect fraud and revoke the franchises or licenses of poor quality consignment node users. Thus, the consignment node is a "trusted" network for consignment node users providing value to the network by imposing a quality and performance structure on the consignment nodes. The same franchise enforcement scheme is also available to the low cost posting terminal embodiment to the present invention.

The Sale

A buyer, hereinafter participant, may electronically log onto a consignment node via a network connection by use of a PC with participant interface software, through an interactive television application, workstation, internet browser or the like. The network connection drivers for the consignment node are discussed in detail below. The participant may enter the browse node and peruse the consignment node database of goods. It is understood that the participant may receive the image taken with a digital camera 12 of the goods at the participant terminal. The participant, upon finding for example the above-posted Frank Robinson card may decide to purchase the card. The participant may present electronic payment to the consignment node by entering a credit card number and expiration date or other forms of electronic payment. It is understood that a secure and/or encrypted means may be established between a participant's interface application and a consignment node to transfer sensitive or theft prone information. Moreover, a participant may establish an account with his local consignment node to be debited and credited with the funds used and generated with his transactions.

The consignment node may, for example, clear the transaction by charging the participant's charge card account and crediting the consignment node store account by well-

known credit card clearing techniques. After the consignment node has cleared the transaction the system electronically transfers ownership of the Frank Robinson card to the participant. The participant may then be presented with the choice of directing the delivery of the Frank Robinson card to a desired location or may choose to post a new reserve or offer price for the card and
5 direct the card to remain in the possession of the consignment node user. Thus, the consignment node allows a participant to speculate on the price of the Frank Robinson card and establishes an electronic market for the Frank Robinson card. It is understood that the consignment node may have many Frank Robinson cards available, thus by the interaction of collectors electronically buying and selling the collectibles it will establish a market price for a Frank Robinson card or
10 any other good. For each transaction, the consignment node user extracts the small consignment fee, e.g., 6% of the sales price, thus the consignment node user directly benefits from operating a reputable consignment node. If the participant elects to take delivery of the purchased goods then the consignment node may track the delivery and ownership of this good to this particular participant in a data record. This data record may be useful to speed the posting of the good,
15 should the participant later decide to re-post and sell the good, and it also creates a valuable database of records to track the possession and ownership of a collectable. This feature may be useful in the agent mode, e.g., tracking down very hard to find items, discussed more fully below.

The Auction

20 For a rare good, a good in a volatile market, or a good's initial posting the consignment node user or participant may wish to auction the good, with or without reserve, to the highest bidder. In this mode, the good may be posted on the consignment node by the means described above but the data record representing the good is identified as waiting for an auction date and
25 may not be purchased on the electronic market. Alternatively, an item may be in the electronic market of the consignment node with a high reserve price that may be lowered in the auction or liquidation mode. Here the consignment node user or the good's participant owner may enter a protected data field a confidential reserve price for the auction mode. The consignment node user arranges by invoking the appropriate consignment node program a time and date for an
30 electronic auction. The consignment node user or good's participant owner may establish, in a data record that represents the good, a desire for the item to be auctioned. For example, a

pawnshop operator of a consignment node may have several Rolex watches he wishes to auction with reserve this Saturday night at 7:00 p.m. The consignment node user, here a pawnshop, identifies on the Rolex watch records the auction date and the confidential reserve price. The consignment node system may "advertise" auction dates, items and auction terms in the consignment node log on welcome message discussed below. Moreover, a good that is identified as awaiting an auction date may be viewed before auction in the consignment node browse mode by a perspective auction participant.

At the auction date, perspective participants log onto the consignment node auction mode locally or through the consignment node network and await the first good to be auctioned. It is understood that in the best mode of the invention the participant will have a data terminal with a digital to analog converter such as a "sound blaster" and speaker, the digital to analog capability may be used in the auction mode to bring the aural excitement of an auction, e.g., the call of the heckler, the caller and bidders, home to the auction participant. This is discussed in more detail below.

The consignment node takes the first item to be auctioned and posts the image of the good and the good's text record to the participants. The consignment node then posts the opening bid. It is understood that the bid postings may be in a protocol that invokes the generation of an auctioneer's voice at the participant terminals. The participants may then respond with a higher bid. The consignment node scans electronically the participants for bids and accepts the highest bid. If bids are tied the consignment node may take the first highest bid by the participants log on order. A particular bidding participant receives a special acknowledgment from the consignment node that her bid was accepted. The consignment node then posts the higher bid to all the electronic auction participants. The consignment node repeats this process until no higher bid is received for a predetermined amount of time and closes the auctioning of that particular good. The consignment node then checks whether the highest bid received is greater than the reserve price, if appropriate. The consignment node may then post sold! and the sell price to all participant terminals and proceed to post the next item for auction. Again a successful purchaser may elect to direct delivery of the good or post the good on the electronic market at a new participant determined offer price.

It is understood that the terms of the auction sale are posted and agreed to by the participants before allowing a participant to bid on goods in compliance with local requirements

and statutes. It is also understood that a participant may make electronic payment for the goods or establish a line of credit or collect on delivery terms within a particular consignment node user's discretion. This may be established by a relationship between a local consignment node user and a local participant at the local consignment user's discretion.

5 It should be noted that a consignment node user may sell virtual advertising space or a central master node e.g., the franchiser, may coordinate the sale of advertising space on a pool of consignment nodes to reach target market participants. For example, if a participant has purchased or speculated in antique pens, and advertisers of an antique pen specially consignment node wishes to target market individuals on the network who have purchased collectable pens in
10 the past. A central coordinated master node may sell advertising to an advertiser for the log on message or e-mail targeted participants and users. Thus, the network of consignment nodes can establish a market for target marketing or blanket advertising of goods and services sold locally or on a network level by a central node.

15

The Agent

The Agent Mode allows a consignment node participant to search a plurality of consignment nodes and purchase records for a used good. A participant may log onto his local consignment node to shop. This participant, for example, may be interested in purchasing a particular used coin for her collection. The participant may invoke a consignment node Agent to
20 search the network of consignment nodes for this coin. The participant fills in the search parameters for this coin, for example, a 1872 U.S. penny from the Denver Mint. The consignment node Agent task handler verifies the Agent form is sufficiently filled out and accepts the task. The Agent checks a list of other consignment nodes network addresses kept by the local consignment node database and generates an Agent communication message to each
25 consignment node on the list and begins to establish communications to the other consignment nodes. An Agent message between consignment nodes begins by coordinating or reconciling the database on each consignment node of the locations and/or address of other consignment nodes. If a consignment node has a different list of consignment nodes in its database it will pass the node update information to the other consignment node. The consignment node originating the
30 Agent task will generate a new Agent task to accommodate the information concerning the new consignment node. Once the consignment node database of consignment nodes is reconciled, the

Agent will search the consignment node database for the goods requested. The Agent will report back whether the search of the local market database was successful and how many good that matches the Agent search request it found. An Agent may also search the consignment node database of past transactions to identify an owner of a particular good. The Agent may then report that John Doe of Main Street, U.S.A. was the last known purchaser of a 1872 U.S. penny from the Denver Mint at this node. It is understood that differing levels of privacy are available to consignment node purchasers, so as only allowing the local consignment node user to view past purchaser information and/or provide the Agent with an option of contacting that consignment user so he may contact the prior purchaser, thus, protecting privacy while allowing bona fide offers to reach the prior purchaser in confidence.

Once some of the Agents start reporting back to the Agent originating consignment node, the originating consignment node may report the results to the consignment node participant of the Agents' results. Such results may give the total number of matching items found thus providing the local participant/collector an indication of the depth of this market. It is understood that a local consignment node user may charge participants for Agent requests.

Computer Implementation

In the preferred embodiment of the present invention a consignment node may use a multitasking operating system such as UNIX, OS/2, NT or VMS. However, a Microsoft DOS or Windows implementation is within the scope of the present invention. The consignment node may be networked via TCP/IP and the internet or a private TCP/IP network or X.25 private or public network or service providers network of ISDN, ATM and the like. It is understood, that a consignment node may support a plurality of protocols simultaneously. Moreover, it is understood that the participant interface application program may execute on a wide variety of platforms such as PC's, MAC's, Power PC's, workstations, cable set-top boxes, video game hardware and the like and are within the scope of the present invention. The posting terminal embodiment is discussed in detail below.

BRIEF DESCRIPTION OF THE DRAWINGS

Figure 1 shows the consignment node of the present invention may have a computer 10, a data storage device 22, a tape drive 24, a digital camera 12, a bar code scanner 14, a display 16, a

keyboard 18, a laser printer 20, and a network connection 26. A participant user terminal is shown at 28.

Figure 2 shows a schematic block diagram showing the logic flow of a user log in at a consignment node.

5 Figure 3 is a schematic diagram showing the logical flow of the consignment node auction process.

Figure 4 is a schematic diagram showing the logical flow of the consignment node market or browse mode.

10 Figure 5 is a schematic block diagram showing the logical flow for posting a new used good on the consignment node.

Figure 6 is a schematic diagram of a subroutine that may be used to post auction bids.

Figure 7 is a schematic diagram of a subroutine that may be used by the consignment node auction process to receive participant auction bids.

15 Figure 8 is a schematic diagram showing the logical flow for a subroutine that may be used to transfer ownership of an item.

Figure 9 is a schematic diagram showing the logical flow for a consignment node in-store sale of a good.

Figure 10 is a schematic diagram showing the logical flow of post-processing and analyzing consignment node sales.

20 Figure 11 is a schematic diagram showing the logical flow of the consignment node Agent handler subroutine.

Figure 12 is a block diagram of the posting terminal to market maker computer connections.

25 Figure 13 is a diagram showing a user interface on a posting terminal or consignment node.

DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENTS

It is understood that the get session identification procedure 100 is a routine that monitors the communication ports and virtual communication ports residing on a protocol stack. The
30 consignment node may use, for example, a X.25 interface card, available from Eicon Corporation or Frontier Corporation to execute an X.25 protocol stack in a PC workstation. The

get session identification 100 program may monitor the X.25 protocol for incoming calls. If the program identifies an incoming call it may answer the call by transmitting the appropriate X.25 packet to the network on the appropriate virtual channel. It is understood that other protocols, such as TCP/IP, DECNET, SNA and ATM are within the scope of the present invention and that multiple protocol stacks may simultaneously execute in a consignment node. Therefore, the get session identification program 100 may have multiple instances to connect and monitor the various protocols. After the get session identification 100 has appropriately answered an incoming call to the consignment node, it may invoke the display welcome message and menu routine 102.

It is understood that the get session identification 100 provides sufficient information to the display welcome message and menu 102 to allow the display welcome message and menu 102 to connect to the appropriate session or virtual channel. At this juncture, if the participant is using an approved interface program, the interface program will send a predetermined code to indicate its version and other characteristics of its display driver. If a participant is logging in from a TTY terminal or other terminal the display welcome message and menu 102 may detect this information and send the appropriate TTY welcome message. This procedure may also be used to identify features and languages supported on various internet world wide web browsers.

It is understood that the welcome message is viewed by the consignment node user as virtual advertising space that may be sold by the consignment node user or coordinated with the master control node (discussed in detail below). The participant may respond to the display welcome message and menu 102 program by giving an appropriate log on response 104. The get log on response 104 may verify and grant a level of access privileges to the participant. It is understood that the consignment node user may require the get log in response 104 to retrieve a credit card number, pin number, user ID and the like, to grant access privileges. If a participant is using a TTY terminal those sessions may be shunted to the download interface program (DIP) 106 routine to receive an appropriate interface program from the consignment node. The DIP 106 may present a list of choices as to what version interface program should be downloaded, such as DOS, Windows, UNIX, MAC platforms and what transfer program is desired such as Kermit, Xmodem, FTP and the like. A participant with a participant interface program may also elect to receive a new interface program from the DIP 106. It is understood that an older, no longer

supported interface program participant may be shunted to the DIP 106 to receive a new interface program.

5 A participant with a supported interface program may select the auction 108, market 110 or agent handler 112 sections of the consignment node. If a participant selects auction 108 the participant may be presented with a menu of auction selections such as auctions in session, future auction times, dates, locations and topics, and auction preview. If a participant selects auctions in session the participants' session is passed to the appropriate auction handler, as discussed below. If a participant selects future auctions the participant will be given a list of future auction times, dates, terms, locations and topics of auctions on this and other consignment nodes. It is
10 understood that these displays represent a virtual advertising opportunity for the consignment node user and the advertising space may be sold by the consignment node user or by the master control node. If the participant selects the auction preview, the auction process 108 passes the participant session to the market session 110 with data that indicates an auction preview desired by the user.

15 If the participant selects the market 110 choice the participant is given a menu of markets that the participants may browse, discussed further below. If the participant selects the agent handler 112 the participant may be provided with an electronic form to create a search for a good. The participant may then execute this Agent's search request to search the network of consignment nodes databases to look for the desired goods. The Agent is discussed more fully
20 below. The Agent Handler 112 also receives incoming calls from other agents to process the external agents search request on the consignment node. The participant interface and consignment node participant functions are discussed in detail below. It is understood that the agent may also function between virtual markets on a market maker computer and with the transaction archive database discussed below. The discussion now turns to the operation of the
25 consignment node by the user.

Figure 3 shows a logical flow diagram of the steps the consignment node may use to create a database record of a good for sale or for auction.

The consignment node user may invoke the consignment node program to enter the posting 200 mode to create a data record for the good. The posting 200 mode initializes
30 consignment node to receive information on a new good. The initialization 204 step displays a data record with data fields on the consignment node terminal for the user to fill in information

on the good. The initialization step 204 also initializes the consignment node peripheral devices such as the digital camera 12 and the printer 20. The consignment node user then "photographs" or digitizes the image of the good from one or more perspectives as well known to the digital camera arts. The consignment node receives the digitized image(s) at receive image 206 step.

5 The consignment node program then prompts the consignment node user for information on the good 208. The consignment node receives information 210 that the consignment node user inputs to the data record displayed at step 208. The consignment node program verifies 212 that the necessary information, such as owners name, reserve price, market or auction designation is in the data record. The verify step 212 will reject the record and return the consignment node

10 user data entry mode 210 if the record does not have the minimum information. If the record is verified 212 as complete enough to commit to the consignment node database, a data record is created 214 and linked into the consignment node database. The consignment node program then generates and prints a bar code 216 that indicated the data record. The bar code system is used by the consignment node to maintain an accurate inventory and is a hook for local sales

15 (discussed below). The posting routine may then exit 218 and return from the posting program. By repeating the posting routine of figure 3 the consignment node user may build a database of goods for the consignment node market, auction and/or agent searches.

Figure 4 shows the logical block flow diagram of the processes the consignment node may take to execute an auction. It is understood that the consignment node user may manually

20 invoke the auction process, or may schedule the consignment node to execute the auction process. The auction process begins by initializing 250 the data structures, records, queues and the like to conduct the auction process. The connection between the auction process and auction participants is discussed below. The auction process gets the first item to be auctioned 252 from the database of goods to be auctioned 254. The consignment node then calculates the opening

25 bid 256 by a predetermined formula such as 50% of the reserve or general solicitation of an opening bid is posted to the auction participants 258. The consignment node auction mode then scans the participants for a higher bids 262. If a higher bid is found the new bid is posted 264. It is understood that the steps of checking for bids 260 determines if the bid is higher 262 and posting the new higher bid 264 is repeated until no higher bids are received. After the typical

30 auction closing of going once ... twice ... three times the auction is closed 266. The consignment node auction program then compares the highest bid received with the good's reserve price 268

to determine whether to transact the sale. If the highest bid is greater than the reserve price the consignment node auction process posts sold! for xxx amount to the auction participants and calls the transfer ownership subroutine 270, discussed further below, and transfers the ownership of the good. If the highest bid is less than the reserve price the consignment node auction process announces no sale! 272 to the auction participants. The auction process then proceeds 274 to get the next good to be auctioned 278. The consignment node auction process is then repeated until all the goods to be auctioned have been run through 278. The consignment node auction may then close and terminate the participant sessions 280. It is understood that the transfer ownership 270 sub-routine may require time to clear the transaction and, therefore, may be best implement as a spawned child process to the auction process. This will keep the consignment node auction executing at an exciting and fast pace for the participants. The consignment node auction process itself may execute in several instances to provide simultaneous auctions on a consignment node. Thus a consignment node may conduct several simultaneous auctions on several virtual runways. It is understood that in the auction mode the consignment node and the participant interface software may communicate using a protocol that allows the consignment node auction driver to "point to" locations stored in the participant interface software, to cause the participant interface software to generate the sound of a auctioneers voice on the sound blaster, or equivalent board. Thus, the present invention uses pre-stored sound samples of different auction prices and auctioneer "string" along aural calls inside the participant interface software, and allows the generation of said pre-stored sound bites to be invoked by the consignment node driver through the said special protocol. This method greatly reduces the bandwidth necessary for a consignment node to support the generation of exciting auctioneers calls at a plurality of participant terminals. It is understood that the generation of an audio bit stream from the consignment node to the participant terminals is also with the scope of the present invention.

Figure 5 shows the logical flow for the post bid subroutine 300. The post bid sub-routine may be invoked from several consignment node processes, those specifically described thus far are the post opening bid 258 and posting bid 264 logical processes. The post bid 300 sub-routine is used to communicate between a consignment node and multiple participants. The post bid 300 sub-routine gets participant session identifications 302 from a data record or data structure that contains a list of session identifications of participants who have logged onto the auction

sessions. The next step sends the bid passed to the post bid 300 subroutine to each participant session identified in the data structure 306. Bids are posted to each participant through an appropriate driver 308. The driver may be identified for each particular user session. For example, a PC user logged into the consignment node via an X.25 virtual channel may require a host PAD driver in the consignment node to communicate asynchronously to the PC terminal interface application. A network user may require a TCP/IP driver to connect between the consignment node and the participant networked terminal. After communicating the bid to participants through the appropriate device driver 308, the post bid sub-routine may exit and return 310 to the calling routine.

Figure 6 shows the consignment node subroutine to check participant sessions for bids during the auction mode. Check for bids 350 maybe a subroutine called by the auction program to scan for bids. It is understood that when a participant logs into the consignment node and selects the auction mode, (see figure 2), the participant's session identification is passed to a data structure. The data structure maybe used by the check for bids 350 sub-routine to correctly identify participants at a particular virtual auction. As noted above, the consignment node may support multiple simultaneous auctions, therefore, may require multiple instances of the aforesaid data structure. The check for bids sub-routine 350 opens or connects to the appropriate data structure storing or holding participant session identifications who are participating in the check for bids calling auction program instance at the get session identification step 352. The buffers associated with each session is scanned for an input 354. If a participant has input an "exit" command or symbol 356 the routine removes that participant's session identification from the auction identifying data structure and allows the participant to exit 362 the auction. The participant's session identification may be returned to a data structure that allows the participant to return to the consignment nodes main menu, see figure 2, or terminate the participant session. The subroutine then compares the bids and takes the highest bid 358. If bids are tied for the highest bid the sub-routine may use the first received bid and reject the others 358. The sub-routine then notifies the participant session who had the highest bid 360. It is understood that the take the highest bid step 358 and notify bidder step 360 are aware of the current bid price for a good and will not allow a lower bid to be accepted. It is understood that the participant session buffers are flushed after they are scanned to remove old or latent bids. The check for bids sub-routine then returns to its calling routine.

Figure 7 shows the transfer ownership routine 400 that may be used to transfer the ownership of goods and collectibles in the consignment node. The transfer ownership sub-routine may be called from several consignment node modes and processes to effect the transfer of legal ownership. The first step in the transfer ownership sub-routine 400 may be to verify a participant purchaser information 402. It is understood that the consignment node may use a variety of well known authenticating procedures to verify a participant, such verification techniques include personal identification numbers (PINS), passwords, call back, and a plethora of encryption techniques and personal information identification means to provide a reliable verification technique. It is understood that a consignment node user may have established a credit or deposit account for the participant from past sales or the transfer of funds and the verify step 402 may connect the participant to the account. The clear charge 404 step is used to clear the participant consignment node transaction. It is understood that this may be via an external credit card clearing network, a connection to a credit account, or though one of the many proposed electronic fund transfer schemes such as debit cards, e-money, and clearinghouses. After the transaction clears the charge 404, the consignment node credits the consignment node users commission account 406 to extract the consignment node transaction fee. The consignment node then transfers legal ownership 408 of the good by changing the ownership entry in the data record in the consignment node of the good. The consignment node may then print a record of the transaction 410. It is understood that step 410 may also be used to keep a log on the consignment node storage or tape drive. The consignment node then removes the good from sale or auction status 412. It is understood that the data record representing the good is "locked" during the transfer ownership sub-routine to prevent collisions of actions and transfers of the good. If the participant has elected to ship goods then the consignment node will print a shipping label 404 for the consignment node user to attach to the good for shipment. The transfer ownership routine may then exit 416. If the participant has elected to re-post the good or collectable the participant may specify a new reserve or offer price for the good or collectable. It is understood that the purchasing participant may elect to leave the good or collectable at the consignment node and post a new offer or reserve price and may identify that the good is on the market, e.g. may be bought and sold at any time, or that the good is awaiting an auction date. Moreover, the participant may elect to have the good viewable on the market or "invisible" to the market while awaiting an auction date 422. It is understood that the participant may elect to

leave the good at the purchased consignment node and electronically transfer the offering of a good to another consignment node. It is understood that consignment node users may run a "trusted" network between consignment nodes to provide the trust between merchants, that the goods exists and that the network between the consignment nodes to provide for electronic
5 presentment of a good is a secure network connection. This allows collectable goods to be concentrated for a single electronic auction or virtual collectable market on a market maker consignment node without incurring the costs of shipping the goods to a central location to bring the good to the market maker consignment node. It is understood that the trusted posting of goods on a market maker node is a value added feature a small town consignment node user can
10 provide to his immediate collector community. It is understood that the master central node may also serve as a legal consignment node franchising authority to provide enforcement of integrity, security and quality control for the consignment node network.

Figure 8 shows the consignment node routine that may be used to establish a virtual market. The market 450 may be selected from the consignment node main menu, see figure 2, to
15 allow a participant to browse the consignment node goods database. The market 450 will display to the participant market categories 452, categories may be defined by the consignment node user to reflect the specialization of his consignment node and the specialized markets or miscellaneous markets for his goods. The consignment node then gets the participants response 454 to the market choices. The consignment node may then display market sub-categories 456.
20 Again, the consignment node user may specify market sub-categories to reflect the specialization of the consignment node. The consignment node may then display items 458 and get the participant or market user response 460 to the displayed choices. It is understood that the participant may browse or scroll through the goods on the market 462, 458, 460 until the participant responds with a desire to exit the market 463. If the response is a desire to transfer to
25 the market root directory 464 then the consignment node will return the participant to the market subcategories 456. If the participant responded with a desire to terminate the session 466 the consignment node will exit the market and terminate the participant's session. It is understood that during the browse loop 458, 460, 462 a participant may elect to buy or make an offer on a good and may invoke the transfer ownership routine, see figure 7, to effect the transfer of a
30 good's ownership. It is also understood that a participant may make an offer on a good below the asking (or offered) price. Such a proposed offer may be stored by the consignment node and

used to notify the good owner. The good owner may then accept the counter offer or reject. It is understood that a participant counter-offer may be made subject to an acceptance before date. It is also understood that a participant may establish a "buy at" or "sell at" price/quantity for any good in the market.

5 Figure 9 shows a logical flow diagram of the process that may be use to transact the transfer of ownership of goods on a consignment node at the store where a consignment node may be located. The consignment node user invokes the store sale sub-routine 500 from a consignment node user terminal, see figure 1. The consignment node user may use the bar code scanner to scan the bar code of the good for sale 502. It is understood that the consignment node
10 user may manually recall or search the consignment node database for the data record of the good or may let the consignment node software use the bar code to automatically retrieve the record 504. The data record is then scanned to retrieve price and sale information on the good 506. It is important to note that a good, while on display at a consignment node user's shop may have transferred ownership and changed price via network participants. The consignment node
15 then displays this information 508 at the consignment node user terminal. The store customer may then elect to purchase the good. The consignment node may process a store customer purchase request by calling the appropriate sub-routine to transfer ownership, see figure 7, of the good.

 Figure 10 shows a logical process diagram for the central node to collect and process data
20 concerning transactions on a plurality of consignment nodes and provide value added feed back to consignment node users on market positions and trends. Data processing 550 may be executed on a consignment node or the central node to extract transaction data from a consignment node. It is understood that the tape drive, or storage device may be used to log network transactions on the posting, auctioning, buying and selling of goods and collectibles on a
25 consignment node. This information may be collected by the central node over the consignment node network. The central node may then plot sales, sale date, price over time and the like to create graphs of market performance 554. It is understood that the data correlation and processing steps 554, 556 may be customized to provide a particular consignment node user with useful market information. The central node may also provide hard copies or electronically
30 transfer the information to the consignment node users. It is understood that this may be a value added feature of a service that may be provided by a franchiser. It is understood that the central

node may log into a consignment node, with well known remote processing and data transfer techniques such as the rlogin and FTP UNIX utilities to make changes to the aforesaid virtual advertising space on a consignment node.

Figure 11 shows the agent handler the consignment node may use to establish agent-to-agent and consignment node - to - consignment node connections to process participant agent requests. The agent handler 600 may be entered by a predetermined series of codes and verification procedures to verify a request for an agent connection to the consignment node is from a bona fide agent and a bona fide consignment node. Once this is verified the agent handler may establish a session for the requesting agent 602. The requesting agent may then transfer its agents request to the consignment node 604 and the consignment node may then check its local database 606 to try to match the agents search request. The agent handler may then respond to the agents request 608 and terminate the agent session 610.

A second embodiment to the present invention, shown in figure 12, uses a low cost portable "posting" terminal to allow the virtual presentment of goods to market. The posting terminal has a digital camera, a bar code printer, a bar code scanner, a modem and posting terminal software. The posting terminal works in conjunction with a market maker computer. The market maker computer has a database of goods for sale, a posting/de-posting communication handler, a database to world wide web (www) mapping module, a www server, a transaction process, a posting terminal communication manager, a sold database, a shipping database and an account database and has much of the functionality of the previously described consignment node.

The posting terminal and market maker computer functional block diagram is shown in figure 12. The posting terminal has a camera interface 701, and image processing module 702, a record maker module 704, a storage unit 710, for storing images and records that have not been posted, a post module 712, a select records module 714, a post request module 716, a print bar code module 718, a get mail module 720, a storage unit for holding posted records and return codes 722, a de-post module 724, a get code module 726, and de-post request module 728, a bar code scanner interface 730, another instance of the get mail module 720, a mail sales routine 738, a print shipping label routine 740, a notify store routine 740, and a check sales module 734. The posting terminal 700 contacts a market maker computer 800 to check sales, to post goods, to de-post goods and to receive mail. The posting terminal 700 is easier to administrate than a

consignment node because it behaves like a retail point-of-sale terminal to manage goods that have been posted and are locally sold. The bar code labeling and scanning routines and methods make it easy for the posting terminal user to maintain an accurate account of what goods have been posted, de-posted, sold and/or shipped. The posting terminal may use an MS-DOS or MS-
5 WINDOWS operating system that is much easier for a small store owner to operate and administer than a complex multi-user system like UNIX or WINDOWS NT.

The posting terminal 700 functionality begins with a user taking a digital picture with the posting terminal digital camera and connecting the digital camera to the camera interface module
10 701. The user selects an icon on a graphical user interface generated by the posting terminal software to pull the digital pictures from the digital camera. It is understood that other input devices such as scanners and the like may be use in place of the digital camera. The image process module 702 may convert the digital picture to a compressed data format such, as JPEG or MPEG, more suitable for communication of the image across a data link. It is understood that the image may keep it's full resolution for posting. The posting terminal then invokes the record
15 maker routine 704. The record maker routine 704 may display the image or allow the user to select an image from storage unit 710. The record maker may display on a posting terminal display a data entry record with pre-defined text fields, number fields, "buttons," knobs and other graphical user interface objects to allow a user to enter data to complete a posting record.

Figure 13 shows an example of a graphical user interface that may be presented to a
20 posting terminal 700 user. The graphical user interface for the posting terminal 700 may include an image of the item represented by the record 920, a description of the item 922, and 924, the "push button" commands to receive pictures from the digital camera 926, to post a record 928, to clear a local sale 930, to de-post a record 932, to access files of records 934, to view and/or receive and send mail 938, a database category field 940 with a pull down selection bar 942, a
25 database subcategory 944 with a pull down selection bar 946, a code field 948, a posting date field 950, a store identification 951, a market designator field 954, a description field 956, a reserve or wholesale price field 958, and identifier 960, a retail or full price field 962 and identifier 964. The category 940 and sub-category 944 data fields are restricted to selections that can be made by the respective pull down bars 942 and 946. This aids the posting terminal
30 operator in selecting the correct market for the good when creating a record and assures that all records can properly link into a market computer 900 market database. A file may be stored at

posting terminal 700 that corresponds to database structure at the market maker computer 800. Having the database structure in a file at posting terminal 700 may allow the posting terminal to receive updates by remote file transfer techniques, such as the KERMIT, FTP, xmodem and ymodem protocols. It is understood that certain selections from the market category 940 and subcategory fields may be "greved" or that is blocked from selection by a posting terminal 700 user to enforce a franchise and/or license grant that only allows posting in a certain field. This may allow a franchising scheme that restricts a franchisee to a field of use and/or category of goods. The code field 948 displays the bar code data in text form that the market maker computer 900 sends to the posting terminal 700 when a record is successfully posted. Therefore, the code field 948 can serve as a quick visual confirmation to the posting terminal user that the displayed record has been posted. The market field 952 may also be a restricted selection field accessible by pull down selection bar 954. Fields selectable by the market field 952 may include auction, on-sale, hold and the like to give additional directionality to the record posting. The price 964 and reserve price fields 958 may be used to structure the two-tiered market of dealer-to-dealer and retail markets. The reserve price identifier 960 and reserve price field 958 may be hidden from view to retail participants. A dealer may be provided with special logon identifications and passwords to view the reserve price 958 and reserve price indicator 960. This feature encourages franchisees to use the electronic market for collectable goods dealer participant interface to generate local sales.

The posting terminal 700 user enters descriptions such as the name of the item, the sale price of the item, and a brief description of the item and the like to compose a record. It is understood that a posting terminal user may enter a retail price and a wholesale price. The retail price may then be displayed to participants 900. Other retail participants 902 may receive the wholesale price. It is understood that this two-tiered pricing scheme may be used to network retail store owners to provide additional incentives for the retail participants to use the network to locate goods and generate sales at the retail point of sale. For example, a retailer may charge the retail price for goods to store customers, while obtaining the benefits, e.g. the profit margin of wholesale or discounted pricing for goods. It is understood that the restricted fields are coordinated with the structure of the For-Sale database 814 to guide a posting terminal 700 user in the proper selection of a market category and subcategory of the posting of a good. Categories may include jewelry, rugs and tapestry, tools, quilts, furniture, art deco, books, pens, coins,

stamps and costumes and clothing. Subcategories may include painting and drawings, sculpture, vintage clothing, costumes, shoes, bags, hats, wedding gowns, furs, rug types and the like to structure the database. The user may also select from a list box what category and sub-category from restricted fields in which to post a good. Referring back to Figure 12, the user may store a
5 composed record on the storage device 710. The record maker routine may also contain a command button 706 to immediately post the record 708. It is understood that the user may designate a time at which the posting terminal 700 may automatically contact the market maker computer 800 and post the selected goods. The post request 716 module may allow a user to select records from storage unit 710 or as in the case where the user selected the immediate post
10 command 708, the post module 712 may accept a record as an input. The ability of the posting terminal 700 to store and select records for posting asynchronously from when a record is created allows a user to compose records when the posting terminal is isolated from communication with a market maker computer 800. The post module 712 may invoke the post request module 716 to post the designated records on the market and make a virtual presentment
15 of a good. Rules and procedures may be imposed on the posting terminal 700 user through licensing and franchise agreements. Such rules may include the requirement that all goods posted must be in the physical and legal possession of the posting terminal franchisee or licensee, that legal possession of a good may be obtained by lawful ownership or through a franchise approved bailment or consignment contract. It is understood that these rules and legal frame
20 work may be imposed to allow the posted record to convey a legal title to a good such that the ownership designated in the record grants lawful ownership to the good designated by the record. The post request module 716 may use a communication package and protocols to transfer the records to the market maker computer 800. Communication libraries are packaged and are commercially available from WCSC 2740 S. Dairy Ashfor, Suite 188, Houston TX 77077 and
25 from Marshallsoft Computing, Inc. at P.O. Box 4543 Huntsville, Alabama 35815. The communication protocols such as FTP and KERMIT may be enhanced by using known encryption and authentication techniques to provide an ultra-secure posting interface. The posting record may also include a header that identifies a store identification, user identification, passwords and the like to allow the market maker computer 800 to verify authenticity, approve
30 authorization and track usage of the posting terminal 700 by a particular posting terminal 700 and posting terminal user.

The market maker computer 800 may verify and accept a record and generate and send a unique bar code number for each record. The bar code number may contain a code that identifies a posting terminal 700. The posting terminal accepts the bar code and places the code in the appropriate record. The unique code generated for each successfully posted record may serve as confirmation that a good has been successfully posted. The record may then be stored on storage unit 722 as a confirmed posted record. When the posting terminals' post request module 716 is finished, the posting terminal 700 or the market maker computer 800 may invoke a mail update routine 720 to pass mail from the market maker computer 800 to the posting terminal 700. Mail topics may include sales information 734, network news 736, and notification of upcoming events 738. The de-post module 724 may use the bar code scanner 730 to receive a posted collectible's identification code. The de-post module 724 may call the de-post request routine 728 to establish communications between the posting terminal 700 and the market maker computer 800. The de-post request module 728 sends the item or collectible bar code to the post/de-post handler 802. The post/de-post handler 802 may remove the collectible identified by the bar code from the for-sale database 814, if the de-posting terminal identification has legal title to the identified collectible as indicated in a for-sale record, the market maker computer 800 may send a de-post confirm code to the posting terminal 700. The posting terminal 700 may process the confirm signal by indicating that the de-posting procedures was performed. If legal title to the posted collectible good does not belong to the de-posting requesting entity, e.g., the de-posting terminal 700 then indicated by the posting-terminal identification, the market maker computer 800 may report the collectible good status, e.g., sold!, to the de-post request module 728. This may indicate to the posting terminal user that a bailee relationship now exists between the store and the new legal owner. It is understood that this bailee relationship may be contractually created and enforced through the franchise contract between the posting terminal user and the franchise granting authority. It is also understood that the bailee agreement may be for a predetermined time and/or require the posting terminal user to hold a good for a predetermined time and/or ship the good to a long term storage facility to ease the bailee burden of posting terminal users where a participant elects to hold legal ownership but keep the good available in the electronic market place for the long term. It is understood that a bond and/or insurance requirements may be required for the posting terminal user and/or the long term storage facility to provide assurance to a long term collectible investor that the risk of loss of the

collectable good asset is maintained or at least hedged against loss. It is understood that a good may have sold and the new owner has elected to re-sell the good at a higher price. In this instance, the de-posting terminal will be advised that the good has been sold and advised of the new sales price. The posting terminal may then transact the local sale at the new price. After the de-post request module 728 is finished it may invoke or the market maker computer 800 may invoke the get mail routine 720 to send mail between the market maker computer 800 and the posting terminal 700. It is understood that through the procedures of generating a unique code for each posted good, checking a unique code that identifies each posting terminal 700 against the legal owner entry in a posted good on the market maker computer 800 the database of for-sale goods 814 will be extremely reliable and accurate and assure that a locally sold goods that have already been sold on the market maker computer 800 will not be inadvertently sold twice. The procedures, when used in conjunction with the rules and procedures imposed on the posting terminal user through a franchising or licensing legal framework assure that (1) when a record of a good is found on the market maker computer 800 by a participant 900 or another retailer 902, it is in fact for-sale and is in the physical and legal possession of a "trusted" franchise and (2) that when a bona fide purchase price is tendered by a participant 900 or another retailer 902 the legal title to a good as represented by the record will transfer to the buyer with an immediate or nearly immediate finality to the transaction. This frame work of trusted franchisee, high confidence and accurate market database, and the legal finality of transaction, where the legal transaction/"cash" clearing function is performed by the market maker computer, e.g., the participant credit card number or other payment means is only revealed and brokered by the market maker computer 800, is a massive step toward building confidence and trust between a small collectable merchant and participant with electronic transactions. These procedures may be used to give assurances and create trust to participants, who for example would like to buy and art deco collectable from a collectable shop in Russia but is very reluctant to send credit card information to an unknown Russian collectable shop for the obvious concerns of credit card fraud and/or fraud in the bona fides of the collectable good itself. Here, however, the franchising authority polices the franchisees to revoke the franchise if a fraud and/or misrepresentations of the bona fides of a collectable good is taking place by the posting terminal user and the assurance that credit card numbers are only revealed to the market maker computer 800 and not accessible to the, in this example, the Russian collectable store. This allows the Russian collectible store to receive the

business good will of the electronic collectible market place of the present invention to establish immediate trust with prospective electronic customers.

5 The market maker computer 800 may have mail module 801, a post/de-post handler module 802, a security module 804, database server 806, a database to www map module 808, a www page server 810, a transaction processor 812, a for-sale database 814, a sold database 816, a shipped database 820, and an account database 824. A www to database mapping 808 module is commercially available from Expertelligence, Inc., Santa Barbara, California at (805) 962-2558. Such a mapping module may map a ODBC database such as Microsoft Access to a www page. The market maker computer 800 may serve four primary functions. The first function is
10 the call handler for processing calls from a posting terminals 700. The second function is a database to www mapping function to present participants 900 and other retailers 902 with a means to access the market database. The third function is to provide a means to process transactions from participants by clearing a transaction and transferring legal title to a good. The fourth function is to provide a means for managing the notification of the sale of a good to
15 posting terminals 700.

The market maker computer 800 may use an accounts 824 database to track payments due to posting terminal 700 users. The clear accounts 825 module may print checks due to posting terminal 700 users. It is understood that electronic funds transfer techniques may be used for clearing account balances 825 for posting terminal users. A modem bank 803 may be
20 used to receive posting calls from posting terminals. It is understood that the modem bank may be replaced by a network connection to the internet. At this juncture it is believed that an off-line, that is a modem bank, connection offers the best security for the posting of goods. However, it is understood that a network connection, e.g. through the internet, is within the scope of the present invention.

25 A security module 804 may be used to provide identification and password security. It is understood that other security and authentication techniques may be used at security module 804. It is understood that database server 806 may be an ODBC server available from many commercial database providers. Much of the market maker computers 800 functionality is disclosed above in the consignment node functionality. The databases may be structured to
30 indicate of for-sale 814 database and sold database 816, and auction database 817 and a shipped database 820. It is understood that records may move between the databases by book entry

transaction. The transaction processor 812 may use RSA certificates and/or other well-known techniques to process secured transactions between the market maker computer 800 and participants 702 and 902. It is understood that the transaction processor 812 may interface with external payment systems 826. It is understood that participant accounts may be tracked at the market maker computer 800. Moreover, it is understood that account surpluses may be acquired by participants speculating in collectable goods may be invested in highly liquid and safe assets such as U.S. Treasury bills to provide and interest bearing accounting for positive cash balances. This provides an incentive, or at least a hedge against inflation, for a participant to keep funds within the collectible market place and to use these funds to speculate in the collectible market. By using funds available at the market maker computer 800 participants can reduce the transaction costs associated with credit cards and other transaction clearing means and optimize the participants' return on price movements in the buying and selling of collectable goods. It is within the scope of the present invention to allow access to the electronic collectable market through stock brokers, banks, and other transaction providers through these providers private transaction networks, e.g., those networks that use dial in telephone lines to home computers and/or dedicated data lines. It is within the scope of the present invention to allow professional investment advisors to operate funds such as investment companies, mutual fund partnerships and the like, that use collectable goods as part of the funds assets. It is understood that the market "history" may be archived and provided to investment advisors and/or posting terminal users and/or participants on a CD-ROM or other mass storage medium to allow off-line analysis of trends in the collectable goods market. This will allow or create a new class of "learned" speculators in this unique, novel and non-obvious electronic market place and network of trusted franchisees in the collectable goods domain. It is also within the scope to the present invention to create the liquidity, volume and availability analysis to allow the creation of a secondary and derivative market for option and futures contracts and other speculative constructs to be created with the underlying assets as collectable goods in the electronic market place of the present invention.

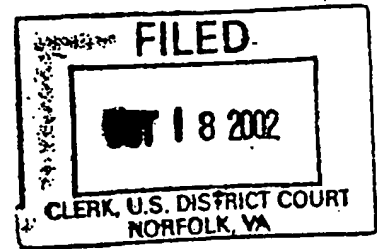
Many variations of the present invention are possible ~~with~~once the present invention is known to those skilled in the arts and are within the spirit and scope of the present invention. Those skilled in the arts will be able to make many variations on the present invention once this invention is known to the arts.

Exhibit L

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014

IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
Norfolk Division



MERCEXCHANGE, L.L.C.,
Plaintiff,

v.

Civil Action No. 2:01cv736

eBAY, INC., et al.,
Defendants.

ORDER AND OPINION

On July 30 and 31, 2002, the court conducted a Markman hearing for the purpose of construing the claims in the plaintiff's three patents at issue. After careful consideration of the briefs submitted by the parties, and the argument of counsel at the hearing, the court issues this Order and Opinion detailing the claims constructions and reasons therewith.

I. Factual and Procedural Background

On September 26, 2001, MercExchange, L.L.C. ("plaintiff") brought the instant action alleging patent infringement in violation of the federal patent laws of the United States, 35 U.S.C. § 271, et seq. In its Complaint, plaintiff alleges that eBay, Inc., Half.com and ReturnBuy (collectively "defendants") have infringed upon three patents: U.S. Patent No. 6,202,051 ("the '051 patent") entitled "Facilitating Internet Commerce Through Internetworked Auctions;" U.S. Patent No. 6,085,176 ("the '176 patent") entitled "Method and Apparatus for Using Search Agents to Search Plurality of Markets for Items;" and U.S. Patent No. 5,845,265 ("the '265 patent") entitled "Consignment Nodes," (collectively "patents at issue"). An Amended Complaint was filed on December 7, 2001; however, the parties and patents at issue remain the same.

On March 13, 2001, the '051 patent was duly and legally issued to the inventor, Thomas

Woolston, for an invention pertaining to a method and apparatus for facilitating internet commerce through internetworked auctions. On July 4, 2000, the '176 patent was duly and legally issued to the inventor, Thomas Woolston, for an invention pertaining to a method and apparatus for using search agents to search a plurality of markets for items. On December 1, 1998, the '265 patent was duly and legally issued to the inventor, Thomas Woolston, for an invention pertaining to a method and apparatus for creating a computerized market for goods for sale or auction by use of a plurality of low cost posting terminals. Mr. Woolston assigned the rights, title and interest to these patents to the plaintiff, and therefore, it has the legal right to enforce the patents, sue for infringement, and seek equitable relief and damages. The plaintiff alleges that through the use of methods and apparatuses, the defendants have infringed upon its patents, and continue to do so, causing plaintiff to suffer irreparable harm resulting from the loss of its lawful patent rights to exclude others from making, using, selling, offering to sell and importing the patented inventions.

On May 30, 2002, this court held a hearing regarding five Motions for Summary Judgment which had been filed by the parties. While the Motions were under advisement, the parties agreed to continue the trial date and conduct a Markman hearing on the originally-scheduled trial date. On July 10, 2002, the court issued an Opinion on two of the five outstanding Motions for Summary Judgment, deferring judgment on the remaining three until after the Markman hearing. These remaining Motions will be ruled upon in a separately issued Opinion.

As an initial matter, the court restates its frustration over how these parties have handled this case thus far. At the hearing on the Summary Judgment Motions, neither party had requested

a Markman hearing, even though a number of terms were in dispute. It wasn't until this court requested that the parties arrange for a Markman hearing in order to resolve a number of claim disputes that the parties opted to conduct the hearing during the days when the trial was to begin. Two weeks prior to the hearing, the parties flooded this court with documents. One week prior to hearing, the parties submitted round two of documents, which included not only bundles of documents, but boxes of paperwork. The court was forced to drop all other matters in order to prepare for the Markman hearing. During this preparation, the court realized that not only did the parties disagree as to what the claims meant, but they also disagreed as to which claims were in dispute. When the court inquired about this at the hearing, the parties couldn't even agree as to how to proceed with the hearing. As a result, the court was forced to construe practically every term in the claims of all three patents. Not only was this tremendously time consuming, it was completely unfair to this court. The law firms representing these parties, experts in patent law, had a number of partners and associates working on this case, as was evident by the number of lawyers at the Markman hearing. In contrast, this court had far fewer resources available, as well as a considerable civil and criminal docket to maintain. As a result of the parties' inability to cooperate at all, this court has been forced to expend an incredible amount of time and resources handling this case. Hopefully, this court's claims construction will be a catalyst for the parties to resolve many of the outstanding issues in this case without the court's continued involvement.

II. Claims Construction Procedure

The first step in a literal patent infringement case is claim construction, which is a matter of law. Markman v. Westview Instruments, Inc., 52 F.3d 967, 976 (Fed. Cir. 1995), aff'd, 517 U.S. 370, 116 S. Ct. 1384 (1996). "Claim interpretation begins with an examination of the

intrinsic evidence, i.e., the claims, the rest of the specification and, if in evidence, the prosecution history.” CCS Fitness v. Brunswick Corp., 288 F.3d 1359, 1366 (Fed. Cir. 2002). “Courts may also use extrinsic evidence (e.g., expert testimony and treatises) to resolve the scope and meaning of a claim term.” Id.

A. Claims and Specification

“Generally there is a heavy presumption in favor of the ordinary meaning of the claim language as understood by one of ordinary skill in the art.” Bell Atlantic Network Svcs., Inc. v. Covad Communications Group, Inc., 262 F.3d 1258, 1268 (Fed. Cir. 2001). However, this presumption may be overcome “where the patentee has chosen to be his own lexicographer or [] where a claim term deprives the claim of clarity such that there is ‘no means by which the scope of the claim may be ascertained from the language used.’” Id. (quoting Johnson Worldwide Assoc., Inc. v. Zebco Corp., 175 F.3d 985, 990 (Fed. Cir. 1999)). This can occur when the inventor exhibits an express intent to impart a novel meaning to the claim terms in the specification or prosecution history. Id. Furthermore, the specification “can provide guidance as to the meaning of the claims, thereby dictating the manner in which the claims are to be construed, even if the guidance is not provided in explicit definitional format.” Id. (quoting SciMed Life Sys., Inc. v. Advanced Cardiovascular Sys., Inc., 242 F.3d 1337, 1344 (Fed. Cir. 2001)); see also Vitronics Corp. v. Conceptiontronic, Inc., 90 F.3d 1576, 1582 (Fed. Cir. 1996) (“The specification acts as a dictionary when it expressly defines terms used in the claims ... [and thus], it is the single best guide to the meaning of a disputed term.”). Courts have also approved of the use of a dictionary to ascertain the ordinary definition of a term, provided that such a definition does not contradict a definition found in the patent documents. Id. at 1584 n.6.

Patent specifications often contain what are referred to as "preferred embodiments," which further serve to illustrate the claimed invention. Although the Court of Appeals for the Federal Circuit has held that claims should be read in view of the specification, see, e.g., Vitronics, 90 F.3d at 1582, the court has cautioned against artificially limiting the scope of a claim to the preferred embodiment. See, e.g., Intervet Am., Inc. v. Kee-Vet Labs., Inc., 887 F.2d 1050, 1053 (Fed. Cir. 1989) ("interpreting what is meant by a word in a claim is not to be confused with adding an extraneous limitation appearing in the specification.") (internal quotation omitted). In Wang Labs. v. America Online, Inc., 197 F.3d 1377 (Fed. Cir. 1999), the Court of Appeals for the Federal Circuit addressed the scope of a court's reliance on "preferred embodiments" as part of the intrinsic evidence. In Wang, the plaintiff protested that the court's definition limited the claim to the preferred embodiment. Id. at 1382. The Federal Circuit replied:

The usage "preferred" does not of itself broaden the claims beyond their support in the specification. The only embodiment described in the [patent] specification is the character-based protocol, and the claims were correctly interpreted as limited thereto.

Id. at 1383 (internal citations omitted); see also General Am. Transp. Corp. v. Cryo-Transp., Inc., 93 F.3d 766, 770 (Fed. Cir. 1996) ("This is not just the preferred embodiment of the invention; it is the only one described.") (emphasis in original); Modine Mfg. Co. v. United States Int'l Trade Comm'n, 75 F.3d 1545, 1551 (Fed. Cir. 1996) (noting that when the "preferred embodiment" is described as the invention itself, the claims are not entitled to a broader scope than the embodiment).

B. Prosecution History

After examining the claims in light of the specification, a court must review the prosecution history, if it has been entered into evidence.¹ "This history contains the complete record of all the proceedings before the Patent and Trademark Office, including any express representations made by the applicant regarding the scope of the claims." Vitronics, 90 F.3d at 1582-83 (citing Southwall Tech., Inc. v. Cardinal IG Co., 54 F.3d 1570, 1576 (Fed. Cir. 1995) ("The prosecution history limits the interpretation of the claim terms so as to exclude any interpretation that was disclaimed during prosecution.")). It is appropriate for the court to consider not only the changes made during prosecution, but also the reason for the changes. See Insta-Foam Prods., Inc. v. Universal Foam Sys., Inc., 906 F.2d 698, 703 (Fed. Cir. 1990) ("[A] close examination must be made as to not only what was surrendered, but also the reason for such a surrender.") (quotation omitted). "The prosecution history limits the interpretation of claim terms so as to exclude any interpretation that was disclaimed during prosecution." Southwall Tech., 54 F.3d at 1576 (holding that statements made during the prosecution history may commit the applicant to a particular meaning for a patent term, which meaning is then binding in litigation).

C. Extrinsic Evidence

While a review of the intrinsic evidence will generally resolve any question regarding a disputed term, there are times when further information is needed. In those cases, a court may properly rely on extrinsic evidence in the form of expert opinions, treatises, etc. See Vitronics,

¹ In this case, the defendants have attached the prosecution history to their motion and therefore, the court will use it in construing the claims.

90 F.3d at 1583. However, “[i]n ... cases where the public record unambiguously describes the scope of the patented invention, reliance on any extrinsic evidence is improper.” Id. In Key Pharmaceuticals v. Hercon Labs. Corp., the Federal Circuit noted that “[t]his court has made strong cautionary statements on the proper use of extrinsic evidence,” and further clarified that “[w]hat is disapproved of is an attempt to use extrinsic evidence to arrive at a claim construction that is clearly at odds with the claim construction mandated by the claims themselves, the written description, and the prosecution history, in other words, with the written record of the patent.” 161 F.3d 709, 716 (Fed. Cir. 1998). The Federal Circuit aptly observed the rationale behind the exclusive reliance on intrinsic evidence in the absence of any ambiguities, stating that:

[t]he claims, specification, and file history, rather than extrinsic evidence, constitute the public record of the patentee’s claim, a record on which the public is entitled to rely. In other words, competitors are entitled to review the public record, apply the established rules of claim construction, ascertain the scope of the patentee’s claimed invention and, thus, design around the claimed invention. Allowing the public record to be altered or changed by extrinsic evidence introduced at trial, such as expert testimony, would make this right meaningless.

Vitronics, 90 F.3d at 1583 (internal citations omitted); see also Southwall Tech., 54 F.3d at 1578 (“A patentee may not proffer an interpretation for the purposes of litigation that would alter the indisputable record consisting of the claims, the specification and the prosecution history, and treat the claims as a ‘nose of wax.’”).

III. The ‘051 Patent

The first patent at issue is the ‘051 patent, which is asserted against defendant eBay only. As an initial matter, the parties do not agree as to which terms of the ‘051 patent are in dispute, and the court was unable to narrow the list of claims and terms disputed. However, because most of the claims use the same terms, the court will only address claims 1, 12 and 23 in this

patent, and highlight the terms which either of the parties believed were in dispute.

A. Claim 1

An automated method, performed by a computer-based auction system, for enabling a seller to auction a uniquely identified item via the Internet to one or more potential buyers, the method comprising:

- requiring the seller to establish a seller's account, the seller's account being based at least on the seller's identity and a financial instrument associated with the seller; receiving information from the seller including a description of an item offered for auction by the seller;

- creating a data record containing a description of the item based on the information received from the seller, the data record connoting an ownership interest by the seller in the item, the data record being stored in a computerized electronic database maintained by the computer-based auction system;

- generating an identification code to uniquely identify the item;

- scheduling an auction for the item, the auction to be hosted by the computer-based auction system;

- presenting the item for auction to an audience of participants through a worldwide web mapping module executing in conjunction with the computerized database, the worldwide web mapping module translating information from the data record to a hypertext mark up language format for presentation through the Internet;

- receiving bids on the item from participants via the Internet through an auction process that executes in conjunction with the computerized database;

- terminating the auction for the item when the auction process encounters predetermined criteria;

- notifying a winning auction participant that the winning auction participant has entered a high bid in the auction process;

- providing the unique identification code to the winning auction participant to uniquely identify the item; and

- charging a fee to the seller's account based on an amount of the high bid.

'051 patent, col. 20, 1.32 – col. 21, 1.4.

Many of the disputed claims can be found in this claim, and will be addressed in the order they appear.

1. An automated method, performed by a computer-based auction system

The parties dispute whether this phrase in the claim's preamble means that all functions

of the computer-based auction system occur automatically by an automated process or whether just the functions that are specified to automatically occur actually do. The plaintiff favors the former definition while the defendant seeks the latter.

“A claim preamble has the import that the claim as a whole suggests for it. If the preamble adds no limitations to those in the body of the claim, the preamble is not itself a claim limitation and is irrelevant to proper construction of the claim.” IMS Tech., Inc. v. Haas Automation, Inc., 206 F.3d 1422, 1434 (Fed. Cir. 2000) (internal quotations omitted); accord Apple Computer, Inc. v. Articulate Sys., Inc., 234 F.3d 14, 22 (Fed. Cir. 2000). In this case, the plaintiff seeks this court to import the phrase “automated method, performed by a computer-based auction system” to require that all steps in claim 1 are performed automatically by an automated process. The defendant disagrees, arguing that some of the steps must occur manually and therefore, the preamble does not import an additional limitation to the claims.

The defendant appears to be correct here. The phrase “automated method, performed by a computer-based auction system” in the preamble does not necessarily mean that all steps of claim 1 take place automatically by an automated method. For example, one step of the claim states that the computer system “receiv[es] bids on the item from participants.” ‘051 patent, col. 20, l. 60. This step must occur manually as participants must enter their bids, and thus cannot occur automatically. Furthermore, various steps of the claim include the term “computer-based auction system.” See, e.g., id. at col. 20, ll. 46-47 (“maintained by the computer-based auction system”); id. at col. 20, ll. 50-51 (“the auction to be hosted by the computer-based auction system”). Therefore, this phrase does not “give meaning to a claim” nor does it “properly define the invention,” and thus, it cannot be imported to limit the claim.

This conclusion is further supported by the language of claim 52.² The preamble to claim 52 similarly reads “[a]n automated method, performed by a computer-based auction system.” *Id.* at col. 26, ll. 23-24. In some steps of this claim, the limitation “automatically” appears, indicating that the particular step is to occur automatically. *See, e.g., id.* at col. 26, l. 55 (“automatically auctioning the item for auction...”); *id.* at col. 26, l. 61 (“automatically calculating a seller’s commission...”); *id.* at col. 26, l. 63 (“automatically charging the seller...”). Therefore, based on this claim, the term “automated method” in the preamble does not add any further limitation to the claim. The same rationale holds true for claim 1. Therefore, the term “automated method performed by a computer-based auction system” does not require that all steps of claim 1 are automatically performed via an automated process.

2. Auction

The plaintiff strenuously argues that there is no need to deviate from the ordinary and accustomed meaning of the term auction; a jury can understand what an auction is without further clarification from the court. The defendant, on the other hand, feels that the term must be construed by the court because the plaintiff limited it through his written disclosure and prosecution history.

As the court must do with all claim constructions, it initially gives the term auction its ordinary and accustomed meaning. The plaintiff argues that this meaning is a process where participants can bid on an item. The court accepts this as the ordinary meaning. Next, the court looks to the specification and the prosecution history to determine if the inventor has exhibited

² The court is aware that each independent claim is to be read without reference to other claims; however, review of this claim provides the court some guidance on the issue.

an intent to deviate from the ordinary meaning. The main contention here is whether the inventor required that an auction must occur over a "trusted network." The defendant spends considerable time on this point, addressing numerous instances in the specification and prosecution history where the inventor said the benefit of his invention was that it was a trusted network to prevent fraud and create the ability to speculate. For example, the defendant points to the following portions of the specification which it argues serve to limit the claim to one that occurs over a trusted network:

- To establish a low cost means for a used good and/or consignment stores to establish a "trusted" computerized market for used and collectible goods. '051 patent, col. 1, ll. 40-42
- [T]o provide a trusted network of consignment nodes that act as brokers to provide a means to electronically present a used good or collectable³ to an electronic market. Id. at col. 2, ll. 12-14.
- All consignment node users or operators, hereinafter users, are "trusted" licensees or franchisers of the software and hardware necessary to create and operate a consignment node. Id. at col. 2, ll. 35-38.
- And local collector's may economically participate in the collectable markets by using local access to a convenient consignment node "trusted" bailee, and electronically presenting collectable goods to an electronic market. Id. at col. 3, ll. 4-8.
- [W]hile providing a trusted means to assure potential buyers of the good's bona fide availability and legal title. Id. at col. 3, ll. 49-50.
- Each consignment node user may be a franchisee of a central franchiser and the franchiser may police the network to give quality control, detect fraud and revoke the franchises or licenses of poor quality consignment node users. Thus, the consignment node is a "trusted" network.... Id. at col. 4, ll. 55-58.

³ The inventor uses collectible and collectable interchangeably throughout the patents at issue.

- This frame work of trusted franchisee, high confidence and accurate market database, and the legal finality of the transaction, where the legal transaction/ "cash" clearing function is performed by the market maker computer, e.g., the participant credit card number or other payment means is only revealed and brokered by the market maker computer 800, is a massive step toward building confidence and trust between a small collectable merchant and participant with electronic transactions. Id. at col. 18, ll. 47-56.

As the defendant has pointed out, through these and other examples in the specification, the inventor did not disclose a person-to-person transaction. Everything disclosed in the '051 patent revolved around a trusted intermediary to present a good to market, add value to the description of the item, transfer ownership of the item, and extract a commission based on the sales price. The plaintiff cannot now argue that the use of a trusted intermediary is a preferred embodiment. The Federal Circuit has repeatedly held that "when the 'preferred embodiment' is described as the invention itself, the claims are not entitled to a broader scope than that embodiment." SciMed, 242 F.3d at 1341 (Fed. Cir. 2001) (quoting Wang Labs., 197 F.3d at 1383).

Furthermore, "[w]here the specification makes clear that the invention does not include a particular feature, that feature is deemed to be outside the reach of the claims of the patent, even though the language of the claims, read without reference to the specification, might be considered broad enough to encompass the feature in question." Id. In this case, the patent teaches away from person-to-person auctions, favoring a system with a trusted intermediary. As such, the plaintiff cannot now argue that the scope of the claims are broader than what is disclosed in the specification. Therefore, when the claims are read in light of the specification, an auction must occur on a trusted network or with a trusted intermediary.

In addition to the trusted network portion of the construction of the term auction, the defendant seeks additional language which reads as follows:

A sale on a trusted network at which items are sold one by one, each going to the last and highest of a series of competing bidders. The auction is not limited to any particular type of auction, such as an English auction, but may include a double auction, reverse auction, Dutch auction, or any other type of auction known to persons of skill at the time.

Defs.' Opening Brief, Dkt. 159. However, there is nothing in the specification or prosecution history that limits the term auction to this definition. There is nothing that requires that items must be sold one by one; on the contrary, the specification envisions multiple auctions taking place at a time. See '051 patent, col. 11, ll. 16-20 ("The consignment node auction process itself may execute in several instances to provide simultaneous auctions on a consignment node. Thus a consignment node may conduct several simultaneous auctions on several virtual runways."). Additionally, there is no requirement that a sale must occur, as an auction may end with no participant meeting the reserve price. See id. at col. 10, l. 63 - col. 11, l. 6 ("The consignment node auction program then compares the highest bid received with the good's reserve price 268 to determine whether to transact the sale.... If the highest bid is less than the reserve price the consignment node auction process announces no sale! 272 to the auction participants."). Finally, adding the limitations regarding English auctions, double auctions, Dutch auctions and reverse auctions will serve no purpose but to confuse the jury. Such a description is not required in the construction of the term auction and is not supported by the claim or the specification.

Therefore, the term auction is construed as a process over a trusted network, or with a trusted intermediary, where participants can bid on an item.⁴

⁴ This construction is also applicable to the term "electronic auction" in the '176 patent, with the only difference being the electronic auction must occur electronically, such as over a computer.

3. Item

As the parties initially argued the construction of this term with respect to the '176 patent, the court will address it in section IV.A.2 below.

4. Seller's account / Requiring a seller to establish a seller's account, the seller's account being based at least on the seller's identity and a financial instrument associated with the seller.

The next term the parties dispute is the term seller's account. Contained within this dispute are actually two separate disputes: first, the construction of the claim seller's account and second, whether a seller's account must be established with the seller's identity and a financial instrument.

a. Seller's account

The plaintiff argues that the term seller's account does not need to be construed and should be given its ordinary and accustomed meaning. In the alternative, the plaintiff seeks the term to be defined as a list of monetary transactions. The defendant disagrees, arguing that based on the specification and prosecution history of this patent, the term seller's account must be defined as an account for receiving, holding, and disbursing funds.

The defendant points to the prosecution history of the '051 patent, specifically a July 28, 2000 Amendment submitted by the inventor, in order to show that a seller's account must be more than just a list of monetary transactions. See Defs.' Opening Brief, Dkt. 159, Ex. F. In this Amendment, the inventor added the "seller's account" limitation to all independent claims of the '051 patent in order to circumvent certain prior art. Id. at p. ME0032389. This seller's account, the inventor stated, would be charged a fee based on an amount of a winning bid. Id. at p. ME0032390. This court has been unable to locate anything in the prosecution history which

requires this seller's account to receive, hold, or disburse funds. An account, such as one at a local department store, merely keeps track of how much money has been charged, and how much has been paid. When an individual purchases an item, it can be charged to the account. When the person makes a payment on this item, the amount is reduced. This account does not receive, hold, or disburse funds, but rather is a list of the monetary transactions conducted by the individual who owns the account. The same is true with the term seller's account in the '051 patent. Therefore, this court finds that a seller's account is list of monetary transactions associated with the seller.

b. Requiring a seller to establish a seller's account, the seller's account being based at least on the seller's identity and a financial instrument associated with the seller

The dispute over this term revolves around whether the seller's account that must be established by the seller, is required to be based on the seller's identity and a financial instrument associated with the seller. The plaintiff relies on the placement of the comma in this phrase, arguing that it offsets the requiring portion of the clause from the remainder of the claim limitation. However, this court agrees with the defendant, who states that based on the language of this claim itself, the seller's account must be based on at least the seller's identity and a financial instrument. Regardless of the placement of the comma, the concept of this limitation is clear. The seller must establish an account and that account must have certain features based on the seller's identity. This is supported by the prosecution history surrounding seller's accounts in the '051 patent. As stated above, the inventor added the term "seller's account" to the '051 patent claims in a July 28, 2000 Amendment in order to circumvent prior art. In distinguishing this seller's account from the prior art, the inventor stated that "requiring a seller to establish a

seller's account helps ensure the validity and identity of the sellers using the auction system. Further, establishing a seller's account that can be charged a fee based on an amount of a high bid (e.g., a seller's commission) helps protect the financial interest of the entity controlling the auction system." Defs.' Opening Brief, Dkt. 159, Ex. F, p. ME0032391. Therefore, this court finds that a seller's account must be established based at least on the seller's identity and a financial instrument associated with the seller.

5. The data record connoting an ownership interest

Again, this limitation actually has two separately disputed terms – data record and connoting an ownership interest. As such, the court will address them separately

a. Data record

The plaintiff states that this term can be given its ordinary and accustomed meaning; alternatively, it seeks the term data record to be defined as "a collection of information stored on a computer storage medium which will contain a description of the item or good being offered for sale through the computer-based auction system." The defendant, on the other hand, argues that the ordinary and accustomed meaning of the term is "a record that contains data fields for maintaining information about a good or item."

The ordinary and accustomed meaning of this term does not include much of the language suggested by the plaintiff, such as "stored on a computer storage medium" and "offered for sale through the computer-based auction system." Rather, it appears that the plaintiff is attempting to add further limitations to this term which do not exist in its ordinary and accustomed meaning. Furthermore, the specification does not support the addition of these limitations to this term. Therefore, the court will adopt the defendant's suggested definition and construe the term

data record to mean a record that contains data fields for maintaining information about a good or item.

b. Connoting an ownership interest

The dispute here is whether the word "connoting" means suggesting or evidencing. The plaintiff argues that the court should construe this phrase to mean that the data record suggests the ownership interest by the seller in the item. The defendant maintains that this phrase means that the data record evidences the fact that the seller owns all or part of the item to be auctioned. For this dispute, the court first notes that the ordinary and accustomed meaning of the word "connote" is "to be associated with or inseparable from as a consequence or concomitant" Merriam-Webster's Collegiate Dictionary 245 (10th ed. 1997).⁵ In support of its position that the term means to suggest an ownership interest, the plaintiff points to a portion of the specification which states that "[i]t is understood ... that the consignment node user is the legal and equitable owner of the [good]." '051 patent, col. 4, ll. 17-20. The court is at a loss as to how this portion of the specification supports connoting to mean suggesting. It appears that this portion, along with numerous others cited by the defendant,⁶ support a stronger construction than mere

⁵ Throughout the hearing and the briefs submitted by the plaintiff, the plaintiff objected to the defendants' use of a 1984 dictionary to determine the ordinary and accustomed meaning of the terms, arguing that it was out-dated. In order to resolve this issue, the court is using a 1997 dictionary as a reference.

⁶ See, e.g., '051 patent, col. 5, ll. 41-48 ("If the participant elects to take delivery of the purchased goods then the consignment node may track the delivery and ownership of this good to this particular participant in a data record."); *id.* at col. 12, ll. 55-57 ("The consignment node then transfers legal ownership 408 of the good by changing the ownership entry in the data record in the consignment node of the good."); *id.* at col. 12, ll. 62-65 ("It is understood that the data record representing the good is 'locked' during the transfer ownership sub-routine to prevent collisions of actions and transfers of the good.").

suggesting, these cites support a construction in line with the defendant's proposed definition. Therefore, the court construes that term connoting an ownership interest to mean evidencing the fact that the seller owns all or part of the item being auctioned.

6. Generating an identification code to uniquely identify the item

The dispute here is over whether a uniquely identified item must be distinguishable from another item or all other items. Again, the plaintiff seeks the ordinary and accustomed meaning of this term to apply, and the court agrees. According to the dictionary, something is unique when it is the "only one, sole." Merriam-Webster's Collegiate Dictionary 1292 (10th ed. 1997). As this court is unable to find any language in the claim, specification, or prosecution history which indicates the inventor's intent to deviate from the ordinary meaning of the term, the court will apply the ordinary meaning. Therefore, generating an identification code to uniquely identify the item means that the identification code will uniquely identify the item from all other items.

7. Scheduling an auction for the item

The plaintiff argues that this term should be given its ordinary and accustomed meaning; however, the plaintiff contends that based on the preamble of the claim, the auction is scheduled automatically. The defendant, on the other hand, states that an auction facilitator and/or the system places the auction in a schedule of auctions to be conducted. This dispute relates back to whether the "automated computer-based auction system" from the preamble means that every limitation must be automated. As stated above, this is not the case. However, the remainder of this limitation states that "the auction to be hosted by the computer-based auction system." When read in its entirety, it appears that the auction is scheduled by the computer-based system which hosts the auction. There is nothing in the intrinsic evidence to show that the inventor

deviated from this ordinary meaning and intended for an auction facilitator to schedule the auction. Therefore, the court will apply the ordinary and accustomed meaning to the term, specifically that an auction for the item will be scheduled and hosted by the computer-based auction system.

8. Presenting the item for auction

The next term to be construed is "presenting the item for auction." The plaintiff seeks the ordinary and accustomed meaning of the term to apply; alternatively, that the term should mean to introduce the item or to offer it for view to the public through the computer-based auction system. The defendant seeks the following construction: to present a description of the item or to offer such description for the item to be auctioned. The dispute centers around whether the item itself is offered or introduced to the public, or whether a description of the item is offered or introduced. This court will not spend considerable time on this issue of semantics. The patent makes clear that along with descriptions of the item to be offered, digital images and subjective opinions about the item are also presented. See '051 patent, col. 6, ll. 26-28 ("The consignment node takes the first item to be auctioned and posts the image of the good and the good's text record to the participants."); id. at col. 4, ll. 37-42 ("[T]he consignment node user may again 'add value' to his consignment node by entering subjective criteria in the database entry for authenticity, condition, special attributes and the like. The participant ... may now electronically present his [good]..."). The court sees no reason to confuse the issue by adding its own construction to this term. Therefore, the court will read this claim to the jury as it appears, noting that both a written description and an image of the item is presented.

2. Worldwide web mapping module translating information from the data record to a hypertext mark up language format for presentation through the Internet

The next term comes from the same limitation as the previous term. The plaintiff seeks "worldwide web mapping module" to be construed as "software operating on the computer-based auction system to translate or convert information in the data record from a format in which the information is maintained in the database into hypertext mark up language for presentation through the World Wide Web portion of the Internet. Hypertext mark up language is the software language used by web browsers to present web pages." The defendant argues that this phrase should be construed as "software that executes in combination with the database to translate information from the data record to HTML."

The defendant argues that the plaintiff has added a number of limitations to the claim which are not in the claim itself, nor are they disclosed in the specification. The plaintiff states that such language is fully supported by the specification which states "[t]he market maker computer 800 may have ... database server 806, a www page server 810.... A www to database mapping 808 module is commercially available from Expertelligence, Inc.... Such a mapping module may map a ODBC database such as Microsoft Access to a www page." '051 patent, col. 19, ll. 6-15.

This court finds that while the plaintiff has imported some additional limitations into the claim, the defendant has left some out. In reading the claim language itself, the court believes that it is relatively self-explanatory and that the construction offered by the parties do nothing but further confuse the term. Thus, the term will be read as is to the jury; the only addition the court will make is that hypertext mark up language is software language used by web browsers to present web pages.

10. Receiving bids on the item

The dispute over this term again revolves around whether the receiving of bids must occur automatically based on the preamble, or whether an auction facilitator is required. In addition, the defendant argues that the auction facilitator and/or system only accepts a bid that is higher than the previously accepted bid. As with the last term that dealt with this issue, the court will look to the entire limitation as a whole. This limitation reads as follows: "receiving bids on the item from participants via the Internet through an auction process that executes in conjunction with the computerized database." *Id.* at col. 20, ll. 60-62.

First, with respect to the automatic versus auction facilitator argument, as the court stated above, the preamble to the claim is not to be imported to each additional limitation contained therein. However, as further stated above, the remainder of the claim language suggests to the court that the receiving of bids takes place over the computer-based auction system. There is no mention of an auction facilitator to receive the bids. Therefore, the court will construe the term "receiving bids" as the act of receiving bids (or offers to buy) for a particular item being auctioned from participants over the computer-based auction system.

As for the second limitation suggested by the defendant, that each bid must be higher than the next, the court finds that the defendant has misconstrued the term. First, this court notes that the only type of auction envisioned by the inventor was one where the higher bids are accepted. *See, e.g., id.* at col. 6, ll. 31-42 ("The participants may then respond with a higher bid. The consignment node scans electronically the participants for bids and accepts the highest bid. If bids are tied the consignment node may take the first highest bid by the participants log on order.... The consignment node then posts the higher bid to all the electronic auction participants. The consignment node repeats this process until no higher bid is received for a

predetermined amount of time and closes the auctioning of that particular good.”); *id.* at col. 10, ll. 56-52 (“The consignment node auction mode then scans the participants for a higher bids [sic] 262. If a higher bid is found the new bid is posted 264. It is understood that the steps of checking for bids 260 determines if the bid is higher 262 and posting the new higher bid 264 is repeated until no higher bids are received.”). However, despite this limitation, there is nothing in the claim, specification, or prosecution history which requires that the bids that are received must be higher - only those that are accepted must be higher. Therefore, the court finds that this limitation should not be added to the construction of the term “receiving bids on the item.”

In sum, the term, receiving bids on the item, shall be construed as the act of receiving bids (or offers to buy) for a particular item being auctioned from participants over the computer-based auction system.

11. Terminating the auction for the item when the auction process encounters predetermined criteria

The dispute over this term arises from the phrase “predetermined criteria.” The plaintiff argues that the claim language suggests that the criteria must be determined prior to the termination of the auction. The defendant, on the other hand, states that this criteria must be determined before the commencement of the auction.

The court begins with the ordinary and accustomed meaning of the term predetermined, which means to determine beforehand. *Merriam-Webster's Collegiate Dictionary* 917 (10th ed. 1997). There is nothing in the claim language which supports the defendant's position that the inventor intended to deviate from this ordinary language. On the contrary, by combining this language with the remainder of the limitation, it appears that the inventor has indicated his intention that the criteria is determined before the termination of the auction for the item.

Furthermore, of the two cited references to the intrinsic evidence supplied by the defendant, only one of them relates to this term. See '051 patent, col. 6, ll. 39-42 ("The consignment node repeats this process until no higher bid is received for a predetermined amount of time and closes the auctioning of that particular good."). However, this passage from the specification does not show that the inventor intended to deviate from the language used in the claim. Therefore, this court finds that the predetermined criteria is determined prior to the termination of the auction.

12. Notifying a winning auction participant

The defendant contests the plaintiff's suggested construction of this term because, once again, the plaintiff suggests that this occur automatically based on the preamble. As discussed above, the "automated method, performed by a computer-based auction system" language of the preamble is not imported to the limitations of the claim. Furthermore, there is nothing in the full limitation itself that suggests that it is to be done automatically. Finally, this construction is further supported by the language in claim 51 which states that the "computer-implemented method ... automatically notif[ies] a winning bidder...." '051 patent, col. 25, l. 56 - col. 26, l. 17. Therefore, the term, notifying a winning auction participant, will simply be read to the jury, as is, without additional language indicating the means of the notification.

13. Charging/Debiting⁷ a fee⁸ to the seller's account based on an amount of the high bid

Before this court construes this claim term, the court notes that this term is the focus of

⁷ Although the limitation in claim 1 only speaks to charging a seller's account, many other claims refer to charging or debiting the seller's account. As the issues involved here are the same for charging and/or debiting a seller's account, the court will discuss them together.

⁸ See section B.1 below for discussion on the term "fee."

the defendant's Motion for Summary Judgment that all claims of the '051 patent are invalid for an inadequate written description. In construing this term, the court states that it is not ruling one way or the other on whether the term has an adequate written description. The court is merely following the legal steps required for claims construction in order to determine the meaning of this limitation. See, e.g., Vitronics, 90 F.3d at 1582 (holding that the first step in a literal patent infringement case is claim construction); Markman, 52 F.3d at 976 (same).

The dispute here involves whether a fee is charged to a seller's account or whether the system extracts the fee from the seller's account. The plaintiff argues that the ordinary and accustomed meaning of the term charge is to "record as a debt against a person's name or account" to charge a purchase." Pl.'s Reply Br., Dkt. 169, Ex. 35 (quoting Webster's New World Dictionary 239 (2d. College Ed. 1986)). The defendant, in turn, argues that there is no support for charging a fee to the seller's account, but rather the specification discloses the system extracting the fee from the seller's account. See, e.g., '051 patent, col. 12, ll. 52-55 ("After the transaction clears the charge 404, the consignment node credits the consignment node users commission account 406 to extract the consignment node transaction fee.").

However, this court finds that the inventor did not stray from the ordinary and accustomed meaning of the claim term. One of ordinary skill in the art would not have believed charging or debiting a fee to a seller's account would mean to extract a fee from that account. Therefore, the court finds that the ordinary and accustomed meaning of the claim term, to record a debt (or charge) against a person's name or account, shall be applied.

B. Claims 12 and 23

The language of claim 12 reads as follows:

A computer-implemented method of facilitating Internet-based auctions, the method

comprising:

requiring a seller to establish a seller's account, the seller's account being based at least on the seller's identity and a financial instrument associated with the seller;
initiating an Internet-based auction for an item offered by the seller; and
debiting the seller's account for a fee amount corresponding to a result of the auction.

'051 patent, col. 23, ll. 12-21.

Claim 23 states

The method of claim 12 wherein debiting the seller's account comprises:
automatically calculating the fee amount based on a result of the auction; and
automatically charging the calculated fee amount to the seller's financial instrument associated with the seller's account.

Id. at col 23, l. 64 - col. 24, l. 3.

The terms from these claims that the parties contest are "automatically calculating the fee amount based on a result of the auction," "automatically charging the calculated fee amount to the seller's financial instrument associated with the seller's account," and "fee amount."⁹ With respect to the first two disputed terms, this goes back to the dispute over when steps occur manually and when they occur automatically, as compared to the limitations in claim 1 for example. The court has already determined above that the computer-implemented method does not require that all limitations contained within that claim must occur automatically. However, in the case of this claim, the word "automatically" appears in each of the limitations. Therefore, the court finds that both of the limitations in claim 23 occur automatically. The defendant appears to agree with this conclusion, as is indicated in the chart attached as an appendix to their brief, where it states that "[i]n claims 23, 51 and 52, the fee is automatically calculated." Defs.' Rebuttal Br., Dkt. 162, App. p. 18. (emphasis in original). Based on this conclusion, the court

⁹ Fee amount is also used in claims 24, 25, 26, and 27.

does not believe that further construction of these terms is warranted.

With respect to the third disputed term, fee amount, the defendant argues that it is a seller's commission which is based on a percentage of the high bid from the auction. The defendant points to a number of areas in the specification where the inventor stated that the fee was a certain percentage of the sales price. See, e.g., '051 patent, col. 4, ll. 30-34 ("The resident informs the user of the reserve or offer price and signs or agrees to a consignment contract with the consignment node user to accept the consignment terms to pay the consignment node user on the sale of the card, for example 6%, of the sales price as a consignment fee."); id. at col. 5, ll. 37-41 ("For each transaction, the consignment node user extracts the small consignment fee, e.g., 6% of the sales price, thus the consignment node user directly benefits from operating a reputable consignment node."). As with most of the claims, the plaintiff seeks the court to apply the ordinary and accustomed meaning to this term.

While these excerpts do indicate one embodiment of the fee, this language is not sufficient to deviate from the ordinary meaning of the claim limitation. The claim states that the fee amount is based on a result of the auction. There is no indication that this fee must be a percentage, rather than a flat fee of some sort. Furthermore, based on the doctrine of claim differentiation, the fee amount cannot be limited in claim 23 to a percentage fee because claim 25 states that "the fee amount is based on a percentage of the final sales price of the item." Id. at col. 24, ll. 6-7. This doctrine states that "[t]here is presumed to be a difference in meaning and scope when different words or phrases are used in separate claims. To the extent that the absence of such difference in meaning and scope would make a claim superfluous, the doctrine of claim differentiation states the presumption that the difference between claims is significant." The Toro Co. v. White Consol. Indus., 199 F.3d 1295, 1302 (Fed. Cir. 1999) (quoting Tandon Corp.

v. United States Int'l Trade Comm'n, 831 F.2d 1017, 1023 (Fed. Cir. 1987)). However, the court is aware that "the doctrine of claim differentiation does not serve to broaden the claims beyond their meaning in light of the specification, and does not override clear statements of scope in the specification and the prosecution history." Id. (internal citations omitted). Based on the intrinsic evidence before the court, it does not appear that the application of claim differentiation here would broaden the claim.

Additionally, the defendant's argument that the fee amount must be a seller's commission is similarly incorrect. Claim 26 states that "the fee amount represents a seller's commission...." Id. at col. 24, ll. 8-9. For the same reasons discussed above, the court will not import an additional limitation into the term fee amount. Therefore, a fee amount does not have to be a seller's commission.

In sum, the court finds that a fee amount can be any fee which is based on the result of the auction, and not necessarily a percentage fee or a seller's commission.

IV. The '176 Patent

The second patent at issue in this case is the '176 patent, which is asserted against defendant Half.com only. While there initially were a number of claims in dispute, it appears that only a handful are left after full briefing for the Markman hearing. As such, only terms in claims 1, and a general question regarding sequence of steps in claims 1, 7, 29, and 39, will be addressed by the court.

A. Claim 1

Claim 1 reads as follows:

A method of searching a plurality of electronic markets to locate an item, the method comprising:
receiving a search request for an item from an internet participant at a first computer;

formatting said search request at said first computer into a predetermined format; transmitting said search request, using a software search agent, from said first computer to a plurality of other computers in said predetermined format, at least one of the plurality of other computers performing a search for the item in response to receiving said search request; and receiving at the first computer search results from at least one of the plurality of other computers in response to the transmitted search request.

'176 patent, col. 20, ll. 33-48.

1. Electronic market

The first term in this patent that is heavily disputed by the parties is "electronic market." The plaintiff states that the court should give the term its ordinary and accustomed meaning, "a computer-based system where goods may be bought and sold online." The defendant argues that while this may be the ordinary meaning of the term, the inventor has deviated from this ordinary meaning as is evidenced by the specification. As a result, the defendant contends that the construction of this term should be "a trusted network on which items may be bought, sold, and searched for." The plaintiff disputes two aspects of the defendant's proposed construction: first, is the imposition of the "trusted network" limitation, and second is the suggestion that searches for items can occur on the electronic market. The plaintiff maintains that the electronic market must be able to complete the participant's transaction (i.e., purchase or sale).

As with all claims constructions, the court begins by giving the term "electronic market" its ordinary and accustomed meaning, which the court finds is a computer-based system where people can buy or sell goods online. In order to address the two issues raised by the parties, the court looks to the specification and prosecution history.

The court has previously determined the first issue, whether the electronic market must be a trusted network. The specification for the '176 patent is the same as that for the '051 patent. The inventor's intention to create a network of trusted consignment nodes is clear from the

specification. The inventor cannot later claim away from what he has disclosed in order to broaden his invention. Therefore, as stated in section III.A.2 above, the court finds that the electronic market must be a trusted network.

As to the second issue, the court does not find support in the intrinsic evidence to require that the electronic market complete a transaction. In fact, the specification teaches away from this requirement. The specification envisions a number of modes in which the invention can occur, not all of which require a completed transaction. For example, in the Agent mode, a participant may search the database for past transactions. See '176 patent, col. 7, ll. 37-42 ("An Agent may also search the consignment node database of past transactions to identify the owner of a particular good. The Agent may then report that the John Doe of Main Street, U.S.A. was the last known purchaser of a 1872 U.S. penny from the Denver Mint at this node."). Another example is in the Auction mode where participants are able to merely browse goods for sale. See id. at col. 6, ll. 11-14 ("Moreover, a good that is identified as awaiting an auction date may be viewed before auction in the consignment node browse mode by a perspective auction participant."). Furthermore, the specification discusses the ability of a buyer and seller to speculate on an item, without actually completing a sale. See id. at col. 1, ll. 65-67 ("To establish a market for goods with a dominant electronic 'market maker' node to allow collectors to speculate on the collectable goods market."). In all of these instances, a transaction is not completed. Therefore, based on the inventor's intent to provide participants with a number of options, he has created an expanded definition of the term electronic market. As such, the plaintiff cannot now claim that the term has a more limited definition. Thus, based on the inventor's clear intent to allow users to buy, sell, search and browse for items in the electronic market, the court finds that the completion of a transaction between buyer and seller is not

required.

In sum, electronic market is construed as a trusted network or system where participants can buy, sell, search or browse goods online.

2. Item

The next term that the parties dispute is item. The plaintiff has argued that the term item means good for sale. The defendant, however, states that the ordinary meaning of the term item is single article or unit in a collection or a set of adjacent digits, bits, or characters which is treated as a unit and conveys a single unit of information. See American Heritage College Dictionary 722 (3d ed. 1993) and McGraw-Hill Dictionary of Scientific and Technical Terms (5th ed. 1994). The defendant argues that the plaintiff did not limit the term item to a good for sale anywhere in the claims, specification, or prosecution history, and therefore, the ordinary meaning of the term must be used. The plaintiff objects, arguing that it is clear from the specification that item is some sort of good that is available for purchase.

While there is no explicit language which defines an item as a good for sale, the terms item and good are used interchangeably in the specification. See, e.g., '176 patent, col. 1, ll. 23-25 ("Certain items and used goods have a large following of collectors."); id. at col. 2, ll. 9-10 ("used good or collectible item..."); id. at col. 2, ll. 38-44 ("Thus, the network provides a trusted means for consignment node users, e.g. shop keepers, to establish electronic markets for collectable goods, establish electronic auctions, establish a means for searching each others shops to locate hard to find collectibles [sic] items, and a means to electronically present goods to a market."). The defendant, however, contends that there is also language in the specification indicating that an item can also be an option, future, or derivative. See id. at col. 20, ll. 19-25 ("It is also within the scope to the present invention to create the liquidity, volume and availability

analysis to allow the creation of a secondary and derivative market for option and futures contracts and other speculative constructs to be created with the underlying assets as collectable goods in the electronic market place of the present invention.”). However, it does not appear that the inventor intended option or futures contracts to be items or goods for sale - rather it appears that this would be an underlying aspect of the main purpose of the invention. Therefore, this court finds that it is clear from the language of the specification, as well as the claims themselves, that the item to be searched for is a good.

This conclusion is not upset by the language in claim 41, which reads in its entirety, “The method of claim 29 wherein the item being searched for comprises goods, services, collectables, or a combination thereof.” *Id.* at col. 23, ll. 44-46. The doctrine of claim differentiation does not render this court’s construction of item as a good improper, as the doctrine cannot “serve to broaden the claims beyond their meaning in light of the specification.” *Toro*, 199 F.3d at 1302. In this case, claim 41 adds further limitations to what is claimed, specifically that an item can also be a service or collectible, in addition to a good. Therefore, the court concludes that item is a good.

The next question is whether item must be a good for sale. As discussed above, there are many instances in the specification which allow for participants to search, browse, and speculate on items which are not necessarily for sale. Therefore, the term item simply means a good.

B. Sequence of Steps in Claims 1, 7, 29, and 39

The parties disagree over whether the method claims of claims 1, 7, 29, and 39 require the steps to be performed in the sequence recited by the order of the limitations. The defendant argues that based on the ordinary meaning of the claim language, the steps must occur in the sequence listed. The plaintiff balks at this idea, arguing that the Federal Circuit has repeatedly

held that "[u]nless the steps of a method actually recite an order, the steps are not ordinarily construed to require one." Interactive Gift Express, Inc. v. Compuserve Inc., 256 F.3d 1323, 1342 (Fed. Cir. 2001); see also Deputy Orthopaedics, Inc. v. Androphy, 53 U.S.P.Q.2d 1941, 2000 WL 297814, *17 (N.D. Ill. Jan. 19, 2001) (citing Bio-Rad Labs., Inc. v. Nicolet Instrument Corp., 739 F.2d 604, 614 (Fed. Cir. 1984) ("The general rule is that unless the literal language or the physical constraints of the process claim dictate otherwise, the steps of the claim have no required order of performance.")). While the plaintiff is correct in its interpretation of Federal Circuit law, it is incorrect in its application to two claims at issue. Based on the language of claim 1, it appears that there is a specific order dictated by the claim. For example, each of the limitations contain the word "said" prior to a word used in the previous limitation, indicating that it must occur after the previous limitation. It is nonsensical to read the claim any other way. Claim 7, also has language which even more explicitly details the specified order.¹⁰ Therefore, the limitations of claims 1 and 7 are to be performed in the order listed.

As for claims 29 and 39, the language is not as clear as to dictate an order. These claims read as follows:

¹⁰ Claim 7 reads in its entirety:

A method for searching a plurality of electronic markets for an item, the method comprising:

- receiving an inquiry at a first electronic market;
- instructing a software search agent at the first electronic market to generate a search request in response to the received inquiry;
- transmitting said search request from said first electronic market to a plurality of other electronic markets; and
- receiving from one or more of the other electronic markets a search result in response to the transmitted search request.

¹⁷⁶ patent, col. 21, ll. 4-15.

29. A computer-implemented method of searching for an item in a plurality of electronic markets interconnected by a computer network, each electronic market having an associated data repository, the method comprising:

receiving input identifying an item; and
instructing a software search agent to search for the item on the computer network in the respective data repositories of one or more of the electronic markets.

'176 patent, col. 22, ll. 60-67.

39. The method of claim 37 further comprising:
receiving search results from one or more electronic markets that was searched by the software search agent; and
displaying the search results to the human user on the first computer.

Id. at col. 23, ll. 35-40.

Neither of these claims appears to dictate an order in a way similar to claims 1 and 7. While the defendant argues that the specific choice of the words "an item" and "the item" in claim 29 indicates that the first step must occur before the second step, this is insufficient to meet the Federal Circuit's holdings that the "steps of a method actually recite an order." Interactive Gift Express, 256 F.3d at 1342. Therefore, the court determines that while claims 1 and 7 do recite an order of steps to be performed, claims 29 and 39 do not.

V. The '265 Patent

The third patent at issue, the '265 patent, is alleged to be infringed by all three defendants. There are a number of terms in dispute in this patent, including a number of means-plus-function claims. In order to easily address these claims, the court first details the method of claims construction of means-plus-function claims. The court will then move on to the claims that contain disputed terms, which in this case includes claims 1, 2, 8, 15, 23, 26, and 27.

A. Means-Plus-Function Claims

Section 112, paragraph 6 of Title 35 provides that

[a]n element in a claim for a combination may be expressed as a means or step in

performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

35 U.S.C. § 112, ¶6. In other words, this section “operates to restrict claim limitations drafted in such functional language to those structures, materials, or acts disclosed in the specification (and their equivalents) that perform the claimed function.” Personalized Media Communications, LLC v. International Trade Comm’n, 161 F.3d 696, 703 (Fed. Cir. 1998). There are two steps that a court must undertake in construing a means-plus-function claim.

The first step is to determine whether the element falls under section 112, paragraph 6. The Federal Circuit has held that the use of the word “means” creates a presumption that this section applies. See id. This presumption can be rebutted by the intrinsic or extrinsic evidence; however, “the focus remains on whether the claim as properly construed recites sufficiently definite structure to avoid the ambit of § 112, ¶ 6.” Id. at 704.

If the court determines that a claim contains a means-plus-function element, the second step requires the court to consult the specification in order to construe the breadth of the claim. See IMS Tech., 206 F.3d at 1429-30. The court may not broaden the means-plus-function element to any means for performing a function, nor may it limit the element by adopting a function different from that explicitly recited in the claim. See Micro Chemical, Inc. v. Great Plains Chem. Co., 194 F.3d 1250, 1258 (Fed. Cir. 1999); Laitram Corp. v. Rexnord, Inc., 939 F.2d 1533, 1536 (Fed. Cir. 1991).

B. Claim 1

Claim 1 provides for

A system for presenting a data record of a good for sale to a market for goods, said market for goods having an interface to a wide area communication network for presenting and offering goods for sale to a purchaser, a payment clearing means for

processing a purchase request from said purchaser, a database means for storing and tracking said data record of said good for sale, a communications means for communicating with said system to accept said data record of said good and a payment means for transferring funds to a user of said system, said system comprising:
 a digital image means for creating a digital image of a good for sale;
 a user interface for receiving textual information from a user;
 a bar code scanner;
 a bar code printer;
 a storage device;
 a communications means for communicating with the market; and
 a computer locally connected to said digital image means, said user interface, said bar code scanner, said bar code printer, said storage device and said communications means, said computer adapted to receive said digital image means of said good for sale from said digital image means, generate a data record of said good for sale, incorporate said digital image of said good for sale into said data record, receive a textual description of said good for sale from said user interface, store said data record on said storage device, transfer said data record to the market for goods via said communications means and receive a tracking number for said good for sale from the market for goods via said communication means, store said tracking number from the market for goods in said data record on said storage device and printing a bar code from said tracking number on said bar code printer.

'265 patent, col. 20, ll. 23-59.

1. Market for goods¹¹

The plaintiff asks this court to apply the ordinary and accustomed meaning to this term and simply read it to the jury. Alternatively, the plaintiff suggests that the term should be defined as a place where items or goods may be bought and sold (e.g., here, through a wide area communication network such as the internet). The defendants object to this proposed construction and suggest the following instead: a trusted network where movable personal property is bought and sold. The main dispute between the parties involves the trusted network argument which the court has addressed in the other two patents at issue in this case.¹² As the

¹¹ The defendants group this term with the term "market apparatus" from claim 8.

¹² The specification for the '265 patent is essentially the same as that for the '051 and '176 patents, as all three patents arose from the same original application.

court has held, the inventor envisioned a trusted network to avoid the problems of early Internet transactions. The trusted aspect of his invention was not merely a preferred embodiment, as the plaintiff argues, it was the focus of his invention. As the Federal Circuit has held, "when the 'preferred embodiment' is described as the invention itself, the claims are not entitled to a broader scope than that embodiment." SciMed Life Sys., 242 F.3d at 1341 (quoting Wang Labs., 197 F.3d at 1383). Therefore, for the reasons stated above, the court finds that the market for goods is a trusted network where items or goods may be bought and sold.

2. Payment clearing means for processing a purchase request from said purchase

The plaintiff seeks to define this term as a computer system that accepts electronic payment information from a participant, such as a credit card number, e-money or a debit account number and clears the payment by charging the credit card number, e-money or debit account number via an interface to an external clearing network or debits the payment account amount from an account that is accessible by the system, and any structural equivalents thereof. The defendants, on the other hand, seek the following definition:

This limitation covers the following disclosed structures, and equivalents thereof, for processing a purchase request from the purchaser: a general purpose computer programmed to perform steps 268, 270 of Fig. 4, or a general purpose computer programmed to perform steps 402-408 of Fig. 7, or a transaction processor 812, as in Fig. 12, or a computer with a clear accounts module 825 as in Fig. 12. Such processing must be capable of receiving a purchase request and payment from a participant, clearing the purchase request and payment, and if the payment clears, then transferring the ownership of the good for sale by modifying the data record of the good to reflect the new ownership of the good.

Defs.' Opening Br., Dkt. 159.

As this is a means-plus-function element, the court must first look to whether this falls under section 112 paragraph 6. Because the word "means" is present, there is a rebuttable

presumption that this falls within the statute. The defendants have not offered any evidence to rebut this presumption and the court finds that the claim does not "recite[] structure sufficient to perform the recited function." Micro Chemical, 194 F.3d at 1257. Therefore, the court will construe it as a means-plus-function claim.

The second step is to look to the specification to determine the breadth of the claim. Here, the plaintiff has offered a number of citations to the specification to support their definition. See, e.g., '265 patent, col. 5, ll. 3-18 ("The participant ... may decide to purchase the [item]. The participant may present electronic payment to the consignment node by entering a credit card number and expiration date or other forms of electronic payment. ... The consignment node may, for example, clear the transaction by charging the participant's charge card account ... by well-known credit card clearing techniques."); id. at col. 12, ll. 37-42 ("The clear charge 404 step is used to clear the participant consignment node transaction. It is understood that this may be via an external credit card clearing network, a connection to a credit account, or through one of the many proposed electronic funds transfer schemes such as debit cards, e-money and clearinghouses."); id. at Figs. 7, 9, and 12.

The main issue between the parties with respect to this claim term is whether or not the limitation must also transfer ownership of the good. The defendants cite to a number of instances in the specification where payment is made and transfer of ownership occurs. However, the court notes that in claims 8 and 15, for example, the inventor discloses separate steps of clearing payment and then transferring ownership, while in claim 1, only clearing payment is discussed. From this it appears to the court that when the inventor chose to transfer ownership as a step in the claim, he explicitly included that step. Claim 1 lacks that step. Paragraph 6 of section 112 "does not permit limitation of a means-plus-function claim by

adopting a function different from that explicitly recited in the claim. Nor does the statute permit incorporation of structure from the written description beyond that necessary to perform the claimed function.” Micro Chemical, 194 F.3d at 1258. In this case, the inventor claimed a “payment clearing means for processing a purchase request from said purchase.” The inventor did not include transferring ownership in this claim, and thus, the court cannot incorporate that function into the claim. Therefore, the court will adopt the plaintiff’s proposed definition for this term, which is a computer system that accepts electronic payment information from a participant, such as a credit card number, e-money or a debit account number and clears the payment by charging the credit card number, e-money or debit account number via an interface to an external clearing network or debits the payment account amount from an account that is accessible by the system, and any structural equivalents thereof.

3. Database means for storing and tracking said data record of said good for sale

While this term is not in dispute, the plaintiff urges this court to construe it because it is a means-plus-function claim. The parties agree that the function to be performed is storing and tracking a data record of a good for sale, and that the corresponding structures include a database, a relational database, a plurality of databases, and any structural equivalents thereof. As such, the court will apply this construction to this claim term.

4. Communication means for communicating with said system to accept said data record of said good

As with the last term, the defendants no longer dispute the construction of this term. As such, the construction agreed to by the parties, for which this court finds sufficient support, is a network card operating with networking software, a modem operating with networking software, and any structural equivalents thereof for communicating with the system to accept a data record

of a good.

5. Payment means for transferring funds to a user of said system

Similarly, there is no longer a dispute over this term. Therefore, the court adopts the plaintiff's proposed definition which construes this term as an automated system that transmits funds electronically to a user, and any structural equivalents thereof.

6. Digital image means for creating digital image of good for sale

The court notes that this is another means-plus-function element. As the word "means" is present, and there is no recited structure sufficient to perform the recited function, the court finds that this claim does fall under section 112, paragraph 6. Thus, the first step is to define the function to be performed, which in this case is creating a digital image of a good for sale. The second step is where the parties disagree; specifically, the plaintiff states that one of the corresponding structures should be an image repository, while the defendants argue that such a structure cannot perform the claimed function of creating a digital image.

The plaintiff has offered a number of cites to the specification to support its argument that an image repository should be included as a corresponding structure. See, e.g., '265 patent, col. 15, ll. 28-37 ("It is understood that other input devices such as scanners and the like may be use[d] in place of the digital camera. The image process module 702 may convert the digital picture to a compressed data format such as JPEG or MPEG, more suitable for communication of the image across a data link. ... The record maker routine 704 may display the image or allow the user to select an image from storage unit 710."). The defendants concede that the specification does say this; however, they argue that selecting an image from a storage unit or image repository is not creating the digital image. This court agrees. Selecting a digital image and creating a digital image are two different functions. As the plaintiff has argued with earlier means-plus-

function claims constructions, the court is not permitted to incorporate a structure from the written description which is not necessary to perform the claimed function. See Micro Chemical, 194 F.3d at 1258. Therefore, the court finds that only digital cameras, digital scanners and their structural equivalents are the corresponding structures to create a digital image of a good for sale.

7. Computer locally connected to said digital image means, said user interface, said bar code scanner, said bar code printer, said storage device and said communications means

There are two claim limitations that are in dispute that start with the phrase "computer locally connected," which is the main area of dispute in the construction of the claims. The plaintiff seeks to define this term as a connected via a local networking system, while the defendants urge that the computer must be locally connected at a particular location.

The court begins by applying the ordinary and accustomed meaning to the term "locally connected." As the ordinary meaning of this term is not immediately evident from the claim language itself, the court turns to the specification for clarification. It appears that while the inventor did envision low-cost posting terminals physically located and connected to the various structures listed in the claims, he also disclosed the use of network connecting participant terminals. See '265 patent, Figs. 1 and 12. Based on these disclosures, the court cannot now limit the claim to mean only locally connected computers at a particular location. Therefore, the court adopts the plaintiff's suggested definition and finds that a computer locally connected can be a computer connected via a local networking system.

8. Generate a data record

The dispute over this term involves what information must be included in the data record. The defendants argue that a data record contains data fields which must be capable of including a

digital image, an ownership entry, and a tracking number received from the market. The plaintiff contests that ownership entry is required of a data record and argues that the defendants are limiting this claim based on one preferred embodiment from the specification.

The court begins by assigning the ordinary meaning to the term data record, which this court has determined is related information or data items stored in one or more data fields on a database. This is fully supported by the dictionary definitions offered by both parties. See, e.g., Webster's New World Computer Dictionary 103 (9th ed. 2001) ("In a database management program, a complete unit of related data items stored in named data fields."); Newton's Telecom Dictionary (16th ed.) ("a component of a database file containing one or more fields of data or information").

The court now turns to the specification to determine if the inventor has deviated from that ordinary meaning. While it is true that the inventor identified a number of fields that a data record should be capable of containing, such as a digital image, ownership information, price information, etc., the inventor did not explicitly state that all data records must contain all of this information. He merely offered a preferred embodiment of what a data record is capable of containing. Therefore, the court does not agree with the defendants' suggested construction and holds that the term data record shall be given its ordinary meaning, which is related information or data items stored in one or more data fields on a database.

9. Transfer said data record to the market for goods via said communications means

With respect to this term, the parties disagree as to whether the data record that is transferred must be stored on the computer's local storage device. The defendants argue that it does, while the plaintiff argues that there is nothing in the claim or specification to suggest this

requirement. However, based on the court's earlier construction of "computer locally connected," the defendants are correct. When the entire claim limitation is read as a whole, there is no question that the data record must come from the computer's storage device. The applicable lines of this limitation state that the system comprises "a computer locally connected to ... said storage device..., said computer adapted to ... store said data record on said storage device, [and] transfer said data record to the market for goods via said communication means." '265 patent, col. 20, ll. 43-54. Based on the court's earlier construction that a computer locally connected may be connected via a local network, the transferring of the data record from the local storage device may also occur via a local network. Therefore, the court adopts the defendants' proposed definition for this term, and finds that the data record that is transferred must come from the data records stored on the computer's local storage device.

10. Receive a tracking number for said good for sale from the market for goods via said communications means

The defendants seek to impose a temporal limitation in this claim term, an act the plaintiff strenuously opposes. Specifically, the defendants offer the following proposed definition for this term: "receive a unique number/code from the market for goods over the communications connection between the market and the computer upon successful posting of the good for sale for the purposes of tracking the good in the market." Defs.' Opening Brief, Dkt. 159. The defendants offer a number of citations to the specification as support for this limitation; however, upon careful review by this court, the defendants' citations do not indicate that the inventor intended to deviate from the ordinary and accustomed meaning of the term. There is no explicit indication that the inventor intended to include a temporal limitation into this claim term. Therefore, the court finds that the definition of this term shall be "receive a unique

number/code from the market for goods via the communications means for the purposes of tracking the good in the market."¹³

11. Store said tracking number from the market for goods in said data record on said storage device

Similarly to section 9 above, the parties dispute whether the tracking number must be stored in the data record at the locally connected storage unit. As the court discussed above, the language of the claim term itself is sufficient to resolve this dispute. Specifically, the relevant portion of this limitation claims

a computer locally connected to ... said storage device..., said computer adapted to ... store said data record on said storage device, ... receive a tracking number for a said good for sale from the market for goods via said communication means, [and] store said tracking number from the market for goods in said data record on said storage device.

'265 patent, col. 20, ll. 43-57. Based on the terms previously construed, the court agrees that the tracking number is stored in the data record at the locally connected storage unit, where the local connection may be via a local network.

12. Printing a bar code from said tracking number on said bar code printer

In this final term to be construed from claim 1, the parties dispute whether the bar code that is printed comes from the same tracking number received from the market for goods, or whether the tracking number is the source of the bar code that is printed. The court finds these arguments indistinguishable. The claim clearly states that the bar code is printed from the tracking number which has been received from the market. There is no need to further construe the claim.

¹³ The court has defined "communication means" in section B.4 above.

C. Claim 2

Claim 2, which is dependent on claim 1, states

The system of claim 1 wherein said textual description received from said user interface includes a sale price for said good for sale, wherein said computer adapted to transfer said data record further conveying a binding offer for sale of said good at said price from said computer to said market.

'265 patent, col. 20, ll. 60-64. The only disputed term in this claim is binding offer for sale of said good. The plaintiff argues that the term should be defined as an obligation to sell the good, whereas the defendants suggest the definition should be an offer to sell a good at a particular price such that the seller must sell the good if a buyer agrees to purchase the good at the offered price.

As with all claims, the court first looks to the ordinary and accustomed meaning of the term. In this case, the court determines that the ordinary meaning of a binding offer for sale is the definition proposed by the plaintiff. The inventor has not deviated from this ordinary meaning in the specification or prosecution history of the patent. Furthermore, the defendants proposed definition incorporates other elements from the claim itself. The language of the claim states that the "said computer adapted to transfer said data record further conveying a binding offer for sale of said good at said price from said computer to said market." *Id.* (emphasis added). To substitute the defendants' proposed definition in place of "a binding offer for sale" makes the claim illogical and redundant. Therefore, the court will adopt the plaintiff's definition, an obligation to sell the good, as the ordinary meaning of the term.

D. Claim 8

Claim 8 claims

A market apparatus for the use with a posting terminal apparatus, said posting terminal apparatus having means for creating a digital image of a good for sale, means for

creating a data record of said good for sale, a tracking number printer means, a tracking number scanner means and means for communicating to said market apparatus, said market apparatus comprising:

- a communications means for communicating with the posting terminal apparatus;
- a post/de-post communications handler operably connected to said communications means, said communications handler receiving a data record of a good for sale from the posting terminal apparatus, said communications handler detecting a predetermined posting terminal apparatus identification code from the posting terminal apparatus and verifying from said code that the posting terminal apparatus is an authorized user of said market apparatus;
- a storage device operably connected to said post/de-post handler, said storage device adapted to receive and store said data record of a good for sale, said data record containing an image of said good for sale and a textual description of said good for sale;
- a presentation mapping module operably connected to said storage device and a wide area communication network, said presentation mapping module providing via said wide area communications network an interface to said market apparatus for a participant, said presentation mapping module providing said participant with access to said data record textual description and said image of said good for sale;
- a transaction processor operably connected to said wide area communication network and said storage device, said transaction processor adapted to receive a purchase request and payment means from said participant, clear said purchase request and payment means and if said payment means clears then transfer the ownership of said good for sale by modifying said data record of said good for sale to reflect the new ownership of said good for sale by said participant; and
- a notification means operably connected to said transaction processor said notification means notifying the posting terminal apparatus in response to said transaction processor transferring ownership of said good for sale denoting with a finality of transaction said new ownership of said good.

'265 patent, col. 21, ll. 14-60.

1. Market apparatus

The first term the plaintiff seeks to be construed in claim 8 is "market apparatus." The definition proposed by the plaintiff is "a system where items or goods may be bought and sold." The defendants seek the court to apply the same definition used for electronic market, "a trusted network where movable personal property is bought and sold." For the reasons stated in section V.B.1, the court agrees with the defendants and finds that a market apparatus is a

trusted network or system where items or goods are bought and sold.

2. Tracking number printer means/Tracking number scanner means

There are two issues surrounding these two terms. First, the court must decide whether this is a means-plus-function claim. While the term "means" is present, it does not define a function that will be performed. The plaintiff contends that the function is printing a tracking number; however, that function is not apparent from the language of the claim. It appears to this court that this claim element is a structure claim rather than a means-plus-function claim and as such, section 112, paragraph 6 does not apply. See Personalized Media Communications, 161 F.3d at 703-05.

The second, and more important issue surrounding the construction of this claim element, is whether or not the tracking number is received from the market apparatus. The defendants contend that such a limitation is required, while the plaintiff argues that the defendants' imposition of this additional limitation is improper. However, the only tracking number or code the inventor disclosed was one that was received from the market during the posting sequence. See, e.g., '265 patent, col. 10, ll. 21-29 ("If the record is verified 212 as complete enough to commit to the consignment node database, a data record is created 214 and linked into the consignment node database. The consignment node program then generates and prints a bar code 216 that indicated the data record. The bar code system is used by the consignment node to maintain an accurate inventory and is a hook for local sales.... The posting routine may then exit 218 and return from the posting program."); id. at col. 16, ll. 8-11 ("The code field 948 displays the bar code data in text form that the market maker computer 900 sends to the posting terminal 700 when a record is successfully posted."). Therefore, this court finds that the tracking number is the one that has been received from the market.

3. Means for communicating to said market apparatus

While this term is not in dispute, the plaintiff urges this court to construe it because it is a means-plus-function claim. The parties agree that the function to be performed is communicating to said market apparatus, and that the corresponding structures include a network card operating with a networking software, a modem operating with a networking software, and any structural equivalents thereof. As the parties are in agreement, the court will apply this construction to this claim term.

4. Communications means for communicating with the posting terminal apparatus

The defendants did not identify this term for interpretation; however, the plaintiff states that the court must interpret it as it is a means-plus-function claim. The court addressed a similar phrase, "communication means for communicating with said data record of said good" in claim

1. See section V.B.4 supra. As such, the court construes this term consistent with that term.

5. Said communications handler detecting a predetermined posting terminal apparatus code and verifying from said code that the posting terminal apparatus is an authorized user of said market apparatus

The plaintiff's proposed construction of this claim term is software operating on a computer system that detects coded information from the transmitting system and uses that coded information as part of ensuring that the user is authorized. The defendants object to this construction, arguing that the plaintiff is attempting to impermissibly cover authorization of the person using the posting terminal apparatus, rather than just the authorization of the posting terminal apparatus. From the plain language of the claim, the defendants appear to be correct. The claim only verifies that the posting terminal apparatus is an authorized user, not the person using the posting terminal apparatus. The plaintiff points to a citation in the specification which

states that "[t]he posting record may also include a header that identifies a store identification, user identification, passwords and the like to allow the market maker computer 800 to verify authenticity, approve authorization and track usage of the posting terminal 700 by a particular posting terminal 700 and posting terminal user." '265 patent, col. 17, ll. 21-26. However, the plaintiff is doing exactly what it has repeatedly accused the defendants of doing in this Markman process; it is reading a preferred embodiment from the specification into the claim. The ordinary meaning of the claim term reveals that it is the posting terminal apparatus, and not the user, that is verified. The inventor did not deviate from this ordinary meaning in the specification or prosecution history. Therefore, this limitation cannot be incorporated into the claim and the court finds that only the posting terminal apparatus is verified as an authorized user of the market apparatus.

6. Said transaction processor adapted to receive a purchase request and payment means from said participant

The dispute with this claim is over whether the transaction processor can execute a transaction, as suggested by the plaintiff. The defendants argue that the ordinary language of the claim states that the transaction processor can receive a purchase request and payment from a participant, not that it can execute a transaction. Based on the arguments of counsel in their briefs, it appears to this court that this argument revolves around what functions the transaction processor can perform. Therefore, the court will merely construe the term transaction processor from claim 8.

The court notes that this term is part of a larger claim limitation and that it should be read in context with the entire limitation, which reads

a transaction processor operably connected to said wide area communication network and said storage device, said transaction processor adapted to receive a purchase request and

payment means from said participant, clear said purchase request and payment means and if said payment means clears then transfer the ownership of said good for sale by modifying said data record of said good for sale to reflect the new ownership of said good for sale by said participant.

'265 patent, col. 21, ll. 46-54. Based on the entire limitation, it appears that the transaction processor must be capable of receiving purchase requests and payment means from a participant, clearing a purchase request, and transferring ownership of the good by modifying the data record. Furthermore, this interpretation is amply supported in the specification. See, e.g., id. at col. 18, l. 63 - col. 19, l. 13 ("The market maker computer 800 may have ... a transaction processor 812 ... [whose] function is to provide a means to process transactions from participants by clearing a transaction and transferring legal title to a good."); id. at col. 19, ll. 40-45 ("The transaction processor 812 may use RSA certificates and/or other well-known techniques to process secured transactions between the market maker computer 800 and participants 702 and 902. It is understood that the transaction processor 812 may interface with external payment systems 826."). Therefore, the plaintiff's suggested definition, a processor for executing a transaction based on a request and payment from the participant, is fully supported by the claim language, read in light of the specification, and will be adopted by this court.

7. Clear said purchase request and payment means

The dispute here focuses on the same clause of claim 8 and revolves around whether the term means "to process the purchase request," as the plaintiff suggests, or "a computer programmed to clear or effect the clearance of the participant's purchase request and payment means," as the defendants suggest. Similar to the last claim term, this term involves the functions of the transaction processor. Based on the arguments above, the court finds that clearing the purchase request and payment means requires the processing of the purchase

request. The cited portions of the specification above fully support this interpretation.

Therefore, the court adopts the plaintiff's proposed definition for this term.

8. If said payment means clears then transfer the ownership of said good for sale by modifying said data record of said good for sale to reflect the new ownership of said good for sale by said participant

This term also refers back to the same clause of claim 8 involving the functions of the transaction processor. However, with respect to this term, the defendants' proposed definition is correct. The defendants argue that this claim means that if the payment made by a participant for a good for sale clears, then the legal ownership of the good is transferred by modifying the ownership entry in the data record of the good to reflect that the purchasing participant is the new owner of the good. The plaintiff, on the other hand, states that this claim simply means to record the new owner of the good. However, based on the claim language itself, the specification, and the prosecution history of the inventor's patents, it is clear to the court that legal ownership of the good is transferred once the payment means clears.

The claim language states that the transaction processor "transfer[s] the ownership of said good for sale." It does not merely say that it records a new owner. While the language continues by saying this transfer of ownership is accomplished by "modifying said data record," the claim is not limited to merely modifying the record - legal ownership must be transferred.

Furthermore, the specification discusses the transfer of ownership or legal title in numerous places. See, e.g., '265 patent, col. 12, ll. 42-48 ("After the transaction clears the charge 404, the consignment node credits the consignment node users commission account 406 to extract the consignment node transaction fee. The consignment node then transfers legal ownership 408 of the good by changing the ownership entry in the data record in the consignment node of the good."); id. at col. 18, ll. 27-37 ("The procedures, when used in conjunction with the rules and

procedures imposed on the posting terminal user through a franchising or licensing legal framework assure that (1) when a record of a good is found on the market maker computer 800 by a participant 900 or another retailer 902, it is in fact for-sale and is in the physical and legal possession of a 'trusted' franchise and (2) that when a bona fide purchase price is tendered by a participant 900 or another retailer 902 the legal title to a good as represented by the record will transfer to the buyer with an immediate or nearly immediate finality to the transaction."); *id.* at col. 19, ll. 11-13 ("The third function is to provide means to process transactions from participants by clearing a transaction and transferring legal title to a good.").

Finally, in the prosecution history of the inventor's patents, the inventor stated, on more than one occasion, that "[t]he market maker computer completes transactions having the effect of immediately changing legal ownership of the used or collectible for sale when the payment is approved by the market maker computer in processing payment, and updates the database and the data record for the used or collectible good for sale." Defs.' Opening Br., Ex. Q, p. BD0012593 (Applicant's Brief Under 37 CFR § 1.192). Therefore, based on the intrinsic evidence, the court adopts the defendants' proposed definition for this claim term; specifically, if the payment made by a participant for a good for sale clears, then the legal ownership of the good is transferred by modifying the ownership entry in the data record of the good to reflect that the purchasing participant is the new owner of the good.

9. Said notification means notifying the posting terminal apparatus in response to said transaction processor transferring ownership of said good for sale denoting with a finality of transaction said new ownership of said good

The final claim term in dispute in claim 8 is a means-plus-function claim. Therefore, the court must first determine if this term falls under the purview of section 112, paragraph 6. As the

word "means" is present, and there is no recited structure sufficient to perform the recited function, the court finds that this claim does fall under section 112, paragraph 6. Thus, the next step is to define the function to be performed, which in this case is notifying the posting terminal apparatus of the new ownership of the good for sale. The final step is to identify the corresponding structures that will perform the cited function. It does not appear that the defendants dispute the plaintiff's list of corresponding structures and as such, the court will adopt this list. Specifically, the corresponding structures cited by the plaintiff include: an electronic mail system, FTP (file transfer protocol) transmission systems, Internet transmission systems, private network transmission systems, and any structural equivalents thereof. For support of these structures, the plaintiff has provided numerous cites to the specification. See, e.g., '265 patent, col. 7, ll. 56-65 ("The consignment node may be networked via TCP/IP and the internet or a private TCP/IP network or X.25 private or public network or service providers network of ISDN, ATM and the like"); id. at col. 9, ll. 21-22 ("what transfer program is desired such as Kermit, Xmodem, FTP and the like"); id. at col. 13, ll. 51-52 ("Such a proposed offer may be stored by the consignment node and used to notify the good owner."); id. at col. 18, l. 63 ("mail module"); id. at col. 19, ll. 20-28 ("modem bank..."); and id. at Figs. 1, 12, and 13. The court finds no error in the plaintiff's compilation of corresponding structures and therefore holds that this claim will be construed as a means for notifying the posting terminal apparatus of the new ownership of the good for sale by an electronic mail system, FTP (file transfer protocol) transmission systems, Internet transmission systems, private network transmission systems, and any structural equivalents thereof.

E. Claim 15¹⁴

The only term left to be construed in this claim is "a posting terminal communication interface for communicating with said market apparatus." The remainder of the terms in this claim have been construed with respect to claim 8.

In the preamble to claim 8, the inventor claimed a "means for communicating to said market apparatus," whereas in claim 15, the inventor claimed "a posting terminal communication interface for communicating with the said market apparatus." The plaintiff suggests that the term in claim 15 should mean a hardware/software element that enables communications between the posting terminal and the market apparatus, while the defendants argue the term should be defined as a communication connection between the market apparatus and the posting terminal apparatus used for accepting a data record of a good for sale from the posting terminal. The plaintiff appears to dispute the defendants' choice of the phrase "communication connection" as it does not imply the same meaning as "interface," which the plaintiff argues is a portion of a system that puts a communication into a communications media such as the Internet.

Initially, the court applies the ordinary and accustomed meaning to the term interface, which the court has determined to be the place at which, or means by which, independent systems meet and act on, or communicate with, each other. Merriam-Webster's Collegiate Dictionary 610 (10th ed. 1997). A review of the specification does not indicate any intent by the inventor to deviate from that ordinary meaning. Therefore, the court finds that interface is not synonymous with communication connection as suggested by the defendants. Rather, the plaintiff's definition, a system that enables communications, is more in line with the

¹⁴ Claim 15 is practically identical to claim 8, and therefore, this court will not copy the entire claim here.

ordinary meaning. Therefore, the plaintiff's proposed definition will be adopted by this court.¹⁵

F. Claim 26¹⁶

The only term left to be construed in this claim is "said notification module providing notification to the posting terminal apparatus in response to said transaction processor processing said purchase request and verifying said electronic payment information." The remainder of the terms in the claim have been construed above.

The plaintiff's suggested definition of this term is a system that sends information that is received at the posting terminal apparatus after the purchase request is processed and the electronic payment information is verified. The defendants, on the other hand, seek the following definition: a computer programmed to notify the posting terminal apparatus that the ownership of the good for sale has been transferred by the transaction processor and electronic payment has been made. The plaintiff's main point of disagreement with the defendants' suggested definition is that the defendants are imposing the content of the notification, rather than when the notification is given.

The court first looks to the ordinary meaning of the claim itself. Here, the plain language of the claim states that the notification is given in response to processing the purchase request and verifying the payment; it does not state that the notification contains this information. The

¹⁵ In claim 23 the parties dispute the term "a communication interface for communicating with said system to accept said data record of said good" for the same reasons discussed here. The court finds that the term "interface" will be construed consistently throughout the '265 patent.

¹⁶ Claim 26 is practically identical to claim 8, and therefore, this court will not copy the entire claim here.

citations to the specification provided by the defendants do not support its proposed construction, nor do they show an intent of the inventor to deviate from the plain meaning of the claim language. Therefore, the court finds that this term shall mean a system that sends information that is received at the posting terminal apparatus after the purchase request is processed and the electronic payment information is verified.

G. Claim 27

Claim 27, which is dependent on claim 26, claims

The electronic market of claim 26 wherein said market is further adapted to delay payment of said electronic payment for said good for sale from a first owner to a second owner for a predetermined interval.

'265 patent, col. 26, ll. 1-4. The only term to be construed in this claim is "delay payment of said electronic payment information for said good for sale from first owner to second owner for a predetermined interval."

As an initial matter, the defendants argue that there is insufficient support in the written description to support this claim. Whether or not the defendants are correct on this issue, the claim must first be construed prior to a finding of invalidity based on an inadequate written description. Furthermore, this issue has not been fully briefed or argued; and as such, the court is not in a position to find this claim invalid at this time. Therefore, for purposes of this Order and Opinion, the court will merely construe the claim.

As for the claim construction, the plaintiff argues that this term should be given its ordinary and accustomed meaning. Alternatively, the plaintiff seeks the court to define it as waiting a predetermined amount of time to pay the seller after the purchase of the good by the buyer. The defendants argue that the term means to delay an electronic payment from a first owner to a second owner for a predetermined period of time. The court does not see much

difference in these two proposed constructions; however, it appears that the defendants' definition more closely tracks the claim language. Furthermore, there is nothing in the intrinsic evidence to show that the inventor intended to deviate from the ordinary meaning of the claim. Therefore, the court adopts the defendants' suggested definition, to delay an electronic payment from a first owner to a second owner for a predetermined period of time.

VI. Conclusion

For the reasons set for above, the court issues this Order and Opinion as the construction of the claims in the '051, '176, and '265 patents.

The Clerk is REQUESTED to send a copy of this Order and Opinion to counsel of record.

It is so ORDERED.


UNITED STATES DISTRICT JUDGE

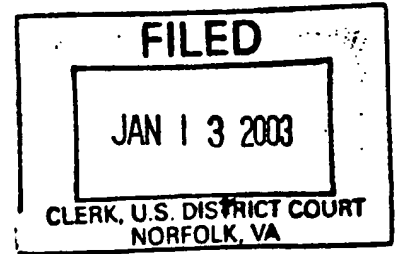
Norfolk, Virginia
October 18, 2002

Exhibit M

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014

IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
Norfolk Division



MERCEXCHANGE, L.L.C.,

Plaintiff,

v.

Civil Action No. 2:01cv736

eBAY, INC., et al.,

Defendants.

ORDER AND OPINION

Presently before the court is a Motion to Reconsider filed by MercExchange, Inc. ("plaintiff") based on this court's October 21, 2002 Order and Opinion granting in part eBay, Inc.'s ("defendant") Motion for Summary Judgment that all claims of U.S. Patent No. 6,202,051 ("the '051 patent") are invalid for an inadequate written description. Based on the briefs submitted by the parties, including the briefs from the original Motion for Summary Judgment, the court denies the plaintiff's Motion to Reconsider.

I. Factual Background

On October 21, 2002, this court issued an Order and Opinion on the three remaining Motions for Summary Judgment filed by the parties ("October 21 Opinion"). In this Opinion, the court granted in part and denied in part defendant eBay's Motion for Summary Judgment that all claims of the '051 patent are invalid for an inadequate written description; granted in part and denied in part the plaintiff's Cross-Motion for Summary Judgment that all claims of the '051 patent are valid for an adequate written description; and denied defendant Half.com's Motion for Summary Judgment that claims 1-9 and 29-41 of U.S. Patent No. 6,085,176 ("the '176 patent") are invalid pursuant to 35 U.S.C. §§ 102(a) and/or 102(g). On November 1, 2002, the plaintiff

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filed a Motion for Reconsideration of the portion of the court's Opinion granting eBay's Motion for Summary Judgment that there was inadequate support in the written description of the '051 patent for the claim "debiting/charging a seller's account a commission or fee." This motion is fully briefed and ripe for review.

II. Motion to Reconsider

The plaintiff filed the instant Motion for Reconsideration pursuant to Federal Rule of Criminal Procedure ("Rule") 54(b), which states that an interlocutory order of the court "is subject to revision at any time before the entry of judgment adjudicating all claims and rights and liabilities of the parties." Fayetteville Investors v. Commercial Builders, Inc., 936 F.2d 1462 1470 (4th Cir. 1991) (quoting Rule 54(b)). Typically, motions to reconsider are "heard only where the Court has patently misunderstood a party or where there is a significant change in the law or facts of the case." Religious Tech. Ctr. v. Lerma, 908 F. Supp. 1253, 1355 (E.D. Va. 1995) (internal quotations omitted). They "cannot be granted where the moving party simply seeks to have the Court rethink what the Court ha[s] already thought through." Xoom, Inc. v. Imageline, Inc., 93 F. Supp. 2d 688, 696 (E.D. Va. 1999) (internal quotation omitted). In this case, the plaintiff has offered no new evidence or argument, and has merely asked the court to reevaluate its prior decision based on the same evidence. In this situation, "the proper recourse is appeal – not reargument." Johnson v. City of Richmond, 102 F.R.D. 623, 624 (E.D. Va. 1984). However, because the court's October 21 Opinion merely provides exemplary portions of the written description to support its ruling, the court will expand on its reasoning in order to more fully explain its decision.

III. Debiting/Charging a Seller's Account¹

The plaintiff argues that based on the Joint Declaration of its experts, Jonathan W. Palmer and Alfred C. Weaver, a dispute exists over a material fact, and thus, granting summary judgment was improper. While the plaintiff is correct in that this declaration does support its contention that there is an adequate written description of debiting/charging a seller's account a commission or fee in a person-to-person based auction system, this declaration was prepared before the court's Markman Opinion, which greatly altered the plaintiff's version of what the patent claimed. Most importantly, the court held that the auction system envisioned by the inventor was "a process over a trusted network, or with a trusted intermediary," and not a person-to-person based system. See Markman Opinion, pp. 12-13. The plaintiff's experts proceeded under the impression that the patent envisioned a person-to-person auction system, without a trusted intermediary. Given the court's interpretation of the patent claims, the experts' declaration submitted by the plaintiff no longer supports its argument that the written description adequately describes the process of debiting/charging a seller's account a commission or fee. See Wiener v. NEC Electronics, Inc., 102 F.3d 534, 542 (Fed. Cir. 1996) (affirming summary judgment of non-infringement and rejecting an expert's declarations which "rest on an incorrect claim interpretation...[and] do not create a factual dispute."), abrogated on other grounds by, Cybor Corp. v. FAS Technologies, Inc., 138 F.3d 1448 (Fed. Cir. 1998). As such, the plaintiff

¹ There appears to have been some confusion over whether the court October 21 Opinion involved both debiting and charging a seller's account a commission or fee, or just debiting the account. The court meant to address both of the terms together, just as it did in its October 18, 2002 Order and Opinion. ("Markman Opinion"). Markman v. Westview Instruments, Inc., 52 F.3d 967, 976 (Fed. Cir. 1995), aff'd, 517 U.S. 370, 116 S. Ct. 1384 (1996). However, in order to be crystal clear in this Order and Opinion, the court will use both terms throughout.

has not made a sufficient showing to establish the existence of a dispute of a material fact, or to dispute the evidence submitted by the defendant, which this court found to be clear and convincing. See Rockwell Int'l Corp. v. United States, 147 F.3d 1358, 1362 (Fed. Cir. 1998) ("The underlying determination of invalidity, however, must be predicated on facts established by clear and convincing evidence."). Therefore, the court's granting of summary judgment in favor of the defendant was not improper or incorrect.

The plaintiff also argues that the court's Opinion is internally flawed, in that it held the written description was sufficient with respect to seller's account, yet found it insufficient with respect to debiting/charging a seller's account a commission or fee. However, the plaintiff misreads the court's Opinion. The court found that there is adequate disclosure of a seller's account based on a number of portions of the written description, and provided two examples of those portions. See October 21 Opinion, p. 7 (citing U.S. Patent Application No. 08/427,820, Def.'s Mot. for Summary Judgment, Dkt. 46, Ex. 1 ("Application") p. 8, ll. 20-22 ("a participant may establish an account with his local consignment node to be debited and credited with the funds used and generated with his transactions.") and p. 25, ll. 11-12 ("It is understood that a consignment node user may have established a credit or deposit account for the participant from past sales or transfer of funds...")). However, these passages do not support the process of debiting/charging a seller's account a commission or fee.

In the first example, the passage, when read in context of the entire paragraph in the Application, clearly shows that the participant being discussed there is the buyer, not the seller. This paragraph reads:

The Sale

A buyer, hereinafter participant, may electronically log onto a consignment node via a network connection by use of a PC with participant interface software, through an interactive television application, workstation or the like. The network connection drivers for the consignment node are discussed in detail below. The participant may enter the browse mode and peruse the consignment node database of goods. It is understood that the participant may receive the image taken with a digital camera 12 of the goods at the participant terminal. The participant, upon finding for example the above-posted Frank Robinson card may decide to purchase the card. The participant may present electronic payment to the consignment node by entering a credit card number and expiration date or other forms of electronic payment. It is understood that a secure and/or encrypted means may be established between a participant's interface application and a consignment node to transfer sensitive or theft prone information. Moreover, a participant may establish an account with his local consignment node to be debited and credited with the funds used and generated with his transactions.

Application, p. 8, ll. 6-22. When read as a whole, this paragraph does not disclose a seller's account that can be debited/charged a commission or fee, nor would one of ordinary skill in the art at the time find that this paragraph supports such a process. See generally 35 U.S.C. § 112, ¶ 1; Johnson Worldwide Assoc., Inc. v. Zebco Corp., 175 F.3d 985, 993 (Fed. Cir. 1999).

Similarly, the second example does not disclose the act of debiting or charging a seller's account a commission or fee. This passage, in its entirety, reads:

Figure 7 shows the transfer ownership routine 400 that may be used to transfer the ownership of goods and collectibles in the consignment node. The transfer ownership sub-routine may be called from several consignment node modes and processes to effect the transfer of legal ownership. The first step in the transfer ownership sub-routine 400 may be to verify a participant purchaser information 402. It is understood that the consignment node may use a variety of well known authenticating procedures to verify a participant, such verification techniques include personal identification numbers (PINS), passwords, call back, and a plethora of encryption techniques and personal information identification means to provide a reliable verification technique. It is understood that a consignment node user may have established a credit or deposit account for the participant from past sales or the transfer of funds and the verify step 402 may connect the participant to the account. The clear charge 404 step is used to clear the participant consignment node transaction. It is understood that this may be via an external credit card clearing network, a connection to a credit account, or through one of the many proposed

electronic fund transfer schemes such as debit cards, e-money, and clearinghouses. After the transaction clears the charge 404, the consignment node credits the consignment node users commission account 406 to extract the consignment node transaction fee. The consignment node then transfers legal ownership 408 of the good by changing ownership entry in the data record in the consignment node of the good....

Application, p. 25, ll. 1-22. While the court did read this passage as support for the fact that both buyers and sellers can establish accounts, it did not find this supportive of the fact that either a buyer's or seller's account is debited/charged a fee or commission. The passage merely speaks of a buyer paying the consignment node user, who then extracts or removes his commission or fee. It is completely silent as to when the funds from the sale go from the consignment node user to the seller. The court finds that the defendant has provided clear and convincing evidence that one of ordinary skill in the art would not have found this passage to support this debiting/charging process.

Finally, the plaintiff points to original claim 12, which the court also used as support for the seller's account, and argues that it also supports the existence of debiting or charging a seller's account a commission or fee. Original Claim 12 reads:

The method of claim 6 further comprising the step of:
automatically paying a commission to said computerized market from said transfer of ownership of said good by said computerized market deducting said commission from said purchase price paid to said seller.

Id. at p.33, ll. 16-19. The plaintiff argues that the past tense of the word "paid" indicates that the seller has already received the funds from the consignment node which then deducts the commission from that price. However, again, based on the court's interpretation of the system, this original claim does not support the plaintiff's argument. The plaintiff has not provided any evidence that one of ordinary skill in the art would find this claim supportive of

debiting/charging a seller's account a commission or fee, based on the court's construction that the system is one over a trusted network or with a trusted intermediary. The trusted network or "computerized market" deducts its commission from the purchase price that will be paid to the seller. This reading of the claim is entirely consistent with the court's claims construction and is supported by clear and convincing evidence offered by the defendant.

Finally, the plaintiff argues that the court imposed some sort of temporal limitation into the written description which does not exist in the Application. Specifically, in the October 21, 2002 Opinion, the court stated that "[t]he Application ... envisions the consignment node operator removing the commission from the sales price of the good prior to crediting the seller's account with the proceeds from the sale." October 21 Opinion, pp. 6-7 (citing Application at p. 9, ll. 14-16). The plaintiff suggests that the Application is silent as to when the commission is removed from the purchase price and thus, the court erred in imposing this temporal limitation. However, the plaintiff is incorrect. The purported temporal limitation exists in the Application based on the court's claims construction that the system envisioned by the inventor was one with a trusted intermediary. For example, in the auction mode, once the bidding has closed and a sale has been made, the buyer transfers his payment to the consignment node or trusted intermediary. The consignment node then takes his commission or fee, and transfers the remainder of the purchase price to the seller. One ordinarily skilled in the art at the time would not have found that the inventor intended a process whereby after the buyer pays the consignment node the agreed purchase price, the consignment node would deposit all of the funds into the seller's account and then debit or charge that account for its commission or fee. It is illogical based on this court's interpretation that the system is based on the trusted intermediary. The clear and

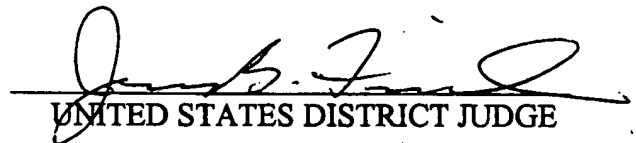
convincing evidence offered by the defendant has not been contradicted by the plaintiff's evidence and therefore, summary judgment was proper.

III. Conclusion

For the reasons set for above, as well as those in the court's October 21, 2002 Order and Opinion, the plaintiff's Motion for Reconsideration of the court's October 21, 2002 Order and Opinion is DENIED.

The Clerk is **REQUESTED** to send a copy of this Order to counsel of record.

It is so **ORDERED**.


UNITED STATES DISTRICT JUDGE

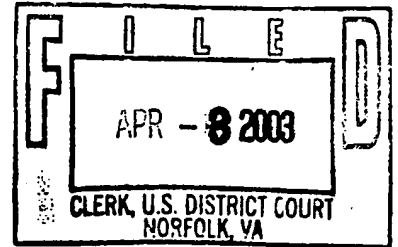
Norfolk, Virginia
January 13, 2003

Exhibit N

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014

IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
Norfolk Division



MERCEXCHANGE, L.L.C.,
Plaintiff,

v.

Civil Action No. 2:01cv736

eBAY, INC., et al.,
Defendants.

ORDER AND OPINION

Presently before the court is an Expedited Motion to Enforce this court's February 14, 2003 Order and Opinion to MercExchange's Renewed Attempt to Relitigate and Reopen the Motion to Reconsider the Motion to Reconsider and Markman Proceedings, filed by eBay and Half.com ("defendants"). In this Motion, the defendants seek to prevent MercExchange, L.L.C. ("plaintiff") from (1) submitting new expert testimony from Dr. Weaver on U.S. Patent No. 6,202,051 ("the '051 patent"), and (2) changing its position with respect to defendants' infringement of U.S. Patent No. 5,845,265 ("the '265 patent"). For the reasons more fully articulated below, the defendants' Motion is GRANTED in part and DENIED in part.

I. The '051 Patent Issue

On February 14, 2003, the court entered an Order and Opinion which, inter alia, granted summary judgment of invalidity of the '051 patent.¹ The court refused to reopen the proceedings and permit the plaintiff leave to submit supplemental expert reports, specifically that of Dr.

¹ The plaintiff makes reference to this February 14, 2003 Opinion, speculating that the defendants may decide to appeal the court's denial of their Motions for Summary Judgment of Non-infringement and Inequitable Conduct. However, the plaintiff misstates the court's Opinion. The court denied these Motions simply because the '051 patent had been invalidated based on a previous ruling by the court. Had the '051 not been invalidated, the court would have conducted further proceedings regarding the defendants' Motions, particularly with respect to the inequitable conduct allegation.

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Weaver, holding that the plaintiff failed to submit new or supplemental expert reports when it filed its first Motion to Reconsider the matter. The court refused to permit the plaintiff to continue to file Motions to Reconsider on matters that had already been decided by the court unless it met the appropriate standard. It now appears, based on the instant Motion, that the plaintiff has submitted Dr. Weaver's report, which this court refused to allow the plaintiff to submit earlier, to the defendants. The court sees no problem with the plaintiff submitting this report to the defendants; however, it will not permit the new Weaver report to be filed with this court or allow Dr. Weaver to testify about any matters relating to the '051 patent.² Thus, the defendants' Motion is granted in part and denied in part accordingly.

II. The '265 Patent Issue

With respect to the '265 patent, the defendants allege that throughout the entire course of this litigation, until last month, the plaintiff has maintained that the '265 patent only covered purchasing goods at a fixed price and not via an auction-style sale. However, according to the defendants, once the '051 patent had been invalidated, the plaintiff switched its position and now maintains that the '265 patent covers both fixed-price as well as auction sales formats. As a result of this change, the defendants allege that the damages estimation has increased by over 400% (from \$31 million to \$168 million). The defendants argue that the plaintiff should be

² The plaintiff also refers to two new expert reports submitted by the defendants last month. However, as the defendants have explained, these two experts have been retained as non-testifying consultants to assist the defendants' attorneys in preparation for trial. The defendants state that they were identified to the plaintiff pursuant to a protective order. The court notes that consultants are perfectly acceptable to assist attorneys in preparing for trial and thus, any reference to them by the plaintiff is immaterial to the resolution of these matters. However, just to make it perfectly clear, these two consultants will not be permitted to testify in any respect during this trial.

judicially estopped from changing its position at this stage of the litigation.

Judicial estoppel is a judge-made doctrine which provides that “where a party assumes a certain position in a legal proceeding, and succeeds in maintaining that position, he may not thereafter, simply because his interests have changed, assume a contrary position, especially if it be to the prejudice of the party who has acquiesced in the position formerly taken by him.” New Hampshire v. Maine, 532 U.S. 742, 749, 121 S. Ct. 1808 (2001); accord Lowery v. Stovall, 92 F.3d 219, 223 (4th Cir. 1996). “The purpose of this doctrine is to prevent a party from playing fast and loose with the courts, and to protect the essential integrity of the judicial process.” Lowery, 92 F.3d at 223 (quoting John S. Clark Co. v. Faggert & Frieden, P.C., 65 F.2d 26, 28-29 (4th Cir. 1995)). While the Supreme Court has held that “the circumstances under which judicial estoppel may appropriately be invoked are probably not reducible to any general formulation or principle,” it provided “several factors [which] typically inform the decision whether to apply the doctrine in a particular case.” New Hampshire, 532 U.S. at 750 (“In enumerating these factors, we do not establish inflexible prerequisites or an exhaustive formula for determining the applicability of judicial estoppel.”). “First, a party’s later position must be clearly inconsistent with its earlier position.” Id. (internal quotation omitted). “Second, courts regularly inquire whether the party has succeeded in persuading a court to accept that party’s earlier position, so that judicial acceptance of an inconsistent position in a later proceeding would create the perception that either the first or second court was misled.” Id. “A third consideration is whether the party seeking to assert an inconsistent position would derive an unfair advantage or impose an unfair detriment on the opposing party if not estopped.” Id. at 751. Courts will generally not apply the doctrine where a party’s inconsistent position is based on inadvertence or mistake. See

Lowery, 92 F.3d at 224.

In this case, the plaintiff has maintained to the defendants, the court, and the media that eBay did not infringe on the '265 patent until they began offering a fixed-price sale format via its acquisition of Half.com and its implementation of the "Buy It Now" feature. However, the plaintiff argues that judicial estoppel is inappropriate here because it was never "successful" in its position as it was never adopted or accepted by the court. While the plaintiff is correct that the court never adopted or accepted this position, the court notes that it has never adopted or accepted any position on this issue as it was never raised as a disputed matter. Throughout the entire Markman proceedings, the plaintiff stated as undisputed that "in the '265 patent, we are not talking about an auction system, we are talking about a system for presenting items virtually to a market." Markman Tr. at 90:5-8 (July 30, 2002); see also id. at 41:13-18 ("Individuals in Mr. Woolston's inventions can post their goods onto this network ... and indicate whether it [sic] should be sold at a market, that is, through a fixed price, or sold through auctions where participants can bid...."). The court did not explicitly adopt or accept this position because it was implicitly agreed upon by all the parties. Furthermore, the court made clear in its Markman Opinion that because of the parties' inability to narrow the disputed claims and terms involved, the court was only going to construe the terms that were disputed. See October 18, 2002 Order and Opinion ("Markman Op."), pp. 2-3. After the Markman hearing, the court found that "[t]he main dispute between the parties [regarding the 'market for goods' term] involves the trusted network argument...." Id. at p. 35. At no time before, during, or after Markman, until just last month, did the plaintiff raise the fixed-price versus auction issue.

However, even if the matter was not implicitly accepted by the court, this reason does not

mean that the doctrine should not be applied here. See Stairmaster Sports/Medical Prods., Inc. v. Groupe Procycle, Inc., 25 F. Supp. 2d 270, 280 (D. Del. 1998), aff'd by unpublished opinion, 232 F.3d 909 (Fed. Cir. Mar. 15, 2000) ("Although the judicial estoppel doctrine does not require demonstration of detrimental reliance or prejudice, the doctrine only applies where inconsistent positions have been asserted in bad faith."). In this case, both before and after this court's Markman Opinion was entered, the plaintiff maintained that the defendants did not infringe on the '265 patent until it applied its "Buy It Now" feature which offered goods at fixed prices. See, e.g., Pl.'s Reply Markman Br., p. 30 (July 23, 2002) ("And with respect to the '265 Patent, in 1999, eBay operated solely in the 'auction' mode. It was not until November of 2000, when eBay adopted a 'market' mode with its 'Buy It Now' feature, that they fell within the claims of the '265 Patent."); Hearing Tr. at 2:17-3:8 (Sept. 19, 2002) ("[I]n June of 2000 ... there was only one patent that had been issued. That was the '265. At that time, we did not believe that eBay infringed the claims of that patent.... Then, eBay later adopted the [Buy It Now] sales format, thereby bringing itself into the scope of the '265 patent as well."); Pl.'s Mot. for Summ. J. (Dec. 23, 2002) ("[I]n June of 2000, eBay did not infringe the '265 Patent. Prior to the meeting, eBay's systems did not operate as an 'electronic market' as claimed in the '265 Patent because eBay's system did not allow users to list an item for sale at a fixed price.... Subsequent to this June 2000 meeting, eBay began to roll out new system features directly copying the system of the '265 Patent claims. For instance, in July of 2000, eBay announced its acquisition of Half.com ..., an electronic market which permits sellers to list items for sale at fixed prices. In November 2000, eBay introduced a 'Buy It Now' fixed price format for listed items for sale...."); Pl.'s Opp. to Defs.' Mot. to Enforce Judge Friedman's Orders, p. 11-12 (Jan. 27, 2003) ("MercExchange's

statement that eBay did not infringe referred to the '265 patent. At the time the statement was made it was correct. However, eBay later added a 'Buy It Now' feature, which clearly infringes the '265 patent."). The plaintiff argues that despite these statements, the court's "expanded" construction of the term "market for goods" as "a trusted network where items or goods may be bought and sold," Markman Op., p. 36, provided an avenue for it to change its position that only fixed-price sales were covered by the '265 patent. The plaintiff's experts now find that the court's "expanded" Markman ruling allows damages for eBay's auction-style format as well.

The court finds this new position difficult to accept. While the early statements made before the Markman Opinion issued are not necessarily a proper basis for judicial estoppel, particularly since the parties were both arguing vastly different positions on a number of issues, the statements made after Markman certainly are. If the court's "expanded" Markman Opinion allowed eBay's auction-style sales format to be included in the '265 alleged infringement, then why did the plaintiff wait until after the court invalidated the '051 patent³ to raise the issue? The court's Markman Opinion was entered on October 18, 2002 and the plaintiff did not adopt this new position until late February of 2003 - over four months later. In addition, since October of 2002, the plaintiff has submitted numerous documents to this court and to the defendants where it continued to assert its prior "fixed-price only" position. Based on the timing of this change of position, the court believes it was made in bad faith as a way to capture some of the damages from the alleged infringement of the '051 patent. Moreover, to change position with less than two months until trial in a case that has been pending in this court since September of 2001, the plaintiff has unfairly disadvantaged the defendants. Therefore, the plaintiff is estopped from

³ The '051 patent's main focus was the auction-style format used by eBay.

asserting this new position at trial on the '265 patent. Accordingly, the defendants' Motion is granted to this extent.

III. Conclusion

For the reasons stated above, the defendants' Motion is **GRANTED in part** and **DENIED in part**.

The Clerk is **REQUESTED** to send a copy of this Order to counsel of record.

It is so **ORDERED**.

Norfolk, Virginia
April 3, 2003

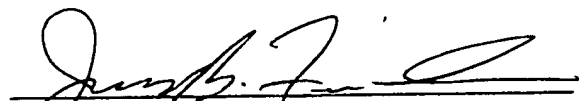

UNITED STATES DISTRICT JUDGE

Exhibit O

PROTEST UNDER 37 C.F.R. § 1.291(a)

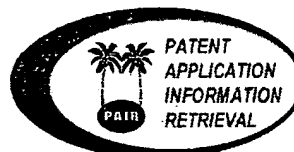
U.S. Patent Application Serial No.: 09/253,014



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PATENT APPLICATION INFORMATION RETRIEVAL



Search results for application number: 90/006,984

Application Number:	90/006,984	Customer Number:	-
Filing or 371(c) Date:	03-29-2004	Status:	Determination - Reexamination Ordered
Application Type:	Re-examination	Status Date:	05-04-2004
Examiner Name:	GARG, YOGESH C	Location:	SPRE3 GROUP 3600
Group Art Unit:	3625	Location Date:	06-13-2004
Confirmation Number:	6698	Earliest Publication No:	-
Attorney Docket Number:	MERC003	Earliest Publication Date:	-
Class/ Sub-Class:	705/027	Patent Number:	-
First Named Inventor:	6202051, ,	Issue Date of Patent:	-
Title Of Invention:	FACILITATING INTERNET COMMERCE THROUGH INTERNETWORKED AUCTIONS		

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File History

Date	Contents Description
05-04-2004	Scanned in Central Reexam Unit
04-28-2004	Determination -- Reexam Ordered
04-20-2004	Case Docketed to Examiner in GAU
04-09-2004	Scanned in Central Reexam Unit
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04-06-2004	Application Is Now Complete
05-04-2004	Notice of Reexam Published in Official Gazette
03-29-2004	Affidavit(s), Declaration(s) and/or Exhibit(s) Filed
03-29-2004	Receipt of Original Request

DETAILED ACTION

Reexamination Decision

1. A substantial new question of patentability affecting claims 1, 5, 6, 29, 31, 32, and 34-39 of the MercExchange United States Patent Number 6,085,176 is raised by the request for reexamination.

2. A) The request indicates that Requester considers claims 1, 5, 6, 29, 31, 32 and 34-39 of the MercExchange patent unpatentable over the prior art publication, Arthur M. Keller, et al., A Smart Catalog and Brokering Architecture for Electronic Commerce (Dec. 1994) (the Keller publication), (Exhibit 2).

B) The request indicates that Requester considers claims 1, 5, 6, 29, 31, 32, and 34-39 of the MercExchange patent unpatentable over the prior art references U.S. Patent No. 5,402,336 to Spiegelhoff et al. (the Spiegelhoff patent), (Exhibit 4).

C) The request indicates that Requester considers claims 1, 5, 6, 29, 31, 32, and 34-39 of the MercExchange patent unpatentable over the prior art publication, Andrew Kupfer, Software 'Agents' Will Make Life Easy, FORTUNE, January 24, 1994, at 72-73 (the Kupfer publication), (Exhibit 5).

D) The request indicates that Requester considers claims 1, 5, 6, 29, 31, 32 and 34-39 of the MercExchange patent unpatentable over the prior art publication, Davis, J. R.; Lagoze, C. (1994), A protocol and server for a distributed digital technical report library, Technical Report TR94-1418, Computer Science Department, Cornell University, 1994 (the CSTR/Dienst publication), (Exhibit 6).

3. It is agreed that the consideration of the Keller publication, (Exhibit 2), the Spiegelhoff patent, (Exhibit 4), the Kupfer publication), (Exhibit 5), the CSTR/Dienst publication), (Exhibit 6) references raises a substantial new question of patentability as to claims 1, 5, 6, 29, 31, 32, and 34-39 of the MercExchange Patent Number 6,085,176.

As pointed out on pages 10-48 of the request, the Keller publication, (Exhibit 2) teaches a smart catalog and brokering architecture for electronic commerce. Using the World Wide Web, consumers are able to perform a reverse-search of multiple vendor catalogs for products. Product data is stored in databases in the form of text, images, sound, and video. The system uses Catalog Agents for communicating with each product database. The Spiegelhoff patent, (Exhibit 4) discloses a method and a corresponding system that permits a retailer to optimize its resources among a plurality of wholesalers. The system is capable of receiving an input request from a consumer for a retailer, searching selected wholesalers, and comparing these wholesalers to one another in order to provide a desired allocation of resources among these selected wholesalers. The Kupfer publication), (Exhibit 5) teaches a computer system that uses

software agents that carry out tasks on the user's behalf, such as bidding on products and services in an electronic shopping environment. The software agent travels over phone lines to a directory of retailers that is maintained by a communications company, based on the user's instructions, the software agent is able to order the product or service for the user that has the best deal. The CSTR/Dienst publication), (Exhibit 6) teaches a computer system for providing a user the ability to access on-line documents. Using the World Wide Web, a user may search for documents at distributed sites, browse images, view and print the full documents.

Therefore, there is substantial likelihood that a reasonable examiner would consider the teachings of these references important in deciding whether or not the claims under re-examination are patentable.

4. Extensions of time under 37 CFR 1.136(a) will not be permitted in these proceedings because the provisions of 37 CFR 1.136 apply only to "an applicant" and not to parties in a reexamination proceeding. Additionally, 35 U.S.C. 305 requires that reexamination proceedings "will be conducted with special dispatch" (37 CFR 1.550(a)). Extension of time in reexamination proceedings are provided for in 37 CFR 1.550(c).

5. The patent owner is reminded of the continuing responsibility under 37 CFR 1.565(a) to apprise the Office of any litigation activity, or other prior or concurrent proceeding, involving Patent No 6,085,176. Throughout the course of this reexamination's proceeding. The third party requester is also reminded of the ability to

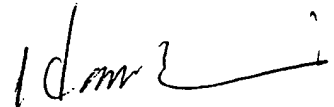
similarly apprise the Office of any such activity or proceeding throughout the course of this reexamination proceeding. See MPEP §§ 2207, 2282 and 2286.

Conclusion

6. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Hani Kazimi whose telephone number is (703) 305-1061. The examiner can normally be reached Monday-Friday from 8:30 AM to 5:00 PM.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Vincent Millin can be reached at (703) 308-1065.

Any inquiry of a general nature or relating to the status of this application should be directed to the Group receptionist whose telephone number is (703) 308-1113 or 1114.



HANI M. KAZIMI
PRIMARY EXAMINER
Art Unit 3624

June 1, 2004

DETAILED ACTION

Reexamination Decision

1. A substantial new question of patentability affecting claims 1, 4, 5, 7, 8, 10, 11, 13-15, 17, 18, 20-23, and 26-29 of MercExchange United States Patent Number 5,845,265 is raised by the request for reexamination.

2. A) The request indicates that Requester considers claims 8, 10, 11, 13-15, 17, 18, 20-22 and 26-29 of the MercExchange patent unpatentable over the prior art reference U.S. Patent No. 5,664,111 to Nahan et al. (Exhibit 2).

B) The request indicates that Requester considers claims 8, 10, 11, 13-15, 17, 18, 20-22 and 26-29 of the MercExchange patent unpatentable over the prior art references U.S. Patent No. 5,664,111 to Nahan et al. (Exhibit 2) in view of Gallery Hopping On-Line, International Herald Tribune, Oct. 29, 1994 (Exhibit 3), and/or Gallery-Hopping And Shopping-Via PC, Business Week, Dec. 5, 1994 (Exhibit 4), and/or Digitized Art Gallery Paints Retail's Future, Computer World, Nov. 28, 1994 (Exhibit 5).

C) The request indicates that Requester considers claims 8, 10, 11, 13-15, 17, 18, 20-22 and 26-29 of the MercExchange patent unpatentable over the prior art references U.S. Patent No. 5,664,111 to Nahan et al. (Exhibit 2) in view of U.S. Patent No. 6,049,785 to Gifford (Exhibit 6).

D) The request indicates that Requester considers claims 8, 10, 11, 13-15, 17, 18, 20-22 and 26-29 of the MercExchange patent unpatentable over the prior art references U.S. Patent No. 5,285,383 to Lindsey et al. (Exhibit 7) in view of U.S. Patent No. 4,789,928 to Fujisaki (Exhibit 8) and/or U.S. Patent No. 5,283,731 to Lalonde et al. (Exhibit 9).

E) The request indicates that Requester considers claims 1, 4, 5, 7 and 23 of the MercExchange patent unpatentable over the prior art reference U.S. Patent No. 5,664,111 to Nahan et al. (Exhibit 2).

F) The request indicates that Requester considers claims 1, 4, 5, 7 and 23 of the MercExchange patent unpatentable over the prior art references U.S. Patent No. 5,664,111 to Nahan et al. (Exhibit 2) in view of Gallery Hopping On-Line, International Herald Tribune, Oct. 29, 1994 (Exhibit 3), and/or Gallery-Hopping-And Shopping-Via PC, Business Week, Dec. 5, 1994 (Exhibit 4), and/or Digitized Art Gallery Paints Retail's Future, Computer World, Nov. 28, 1994 (Exhibit 5).

G) The request indicates that Requester considers claims 1, 4, 5, 7 and 23 of the MercExchange patent unpatentable over the prior art references U.S. Patent No. 5,664,111 to Nahan et al. (Exhibit 2) in view of U.S. Patent No. 5,424,944 to Kelly et al. (Exhibit 10).

H) The request indicates that Requester considers claims 1, 4, 5, 7 and 23 of the MercExchange patent unpatentable over the prior art references U.S. Patent No. 5,424,944 to Kelly et al. (Exhibit 10), alone, and/or in view of U.S. Patent No. 5,664,111 to Nahan et al. (Exhibit 2).

I) The request indicates that Requester considers claims 1, 4, 5, 7 and 23 of the MercExchange patent unpatentable over the prior art references U.S. Patent No. 5,285,383 to Lindsey et al. (Exhibit 7) in view of U.S. Patent No. 4,789,928 to Fujisaki (Exhibit 8) and/or U.S. Patent No. 5,283,731 to Lalonde et al. (Exhibit 9).

3. It is agreed that the consideration of the Nahan et al. (Exhibit 2), Gallery Hopping On-Line, (Exhibit 3), Gallery-Hopping And Shopping-Via PC, (Exhibit 4), Digitized Art Gallery Paints Retail's Future, (Exhibit 5), Gifford (Exhibit 6), Lindsey et al. (Exhibit 7), Fujisaki (Exhibit 8), Lalonde et al. (Exhibit 9), and Kelly et al. (Exhibit 10) references raises a substantial new question of patentability as to claims 1, 4, 5, 7, 8, 10, 11, 13-15, 17, 18, 20-23, and 26-29 of the MercExchange Patent Number 5,845,265.

As pointed out on pages 14-122 of the request, the Nahan et al. (Exhibit 2) teaches a method and a corresponding system for creating an electronic market by using posting terminals and a market maker computer to establish a relationship and a contract between a purchaser and a seller of goods and services at the market maker computer. Gallery Hopping On-Line, (Exhibit 3) teaches a buyer driven system for purchasing ArtView works by viewing images of paintings via an on-line service that is only accessed by certified dealers, and for conducting an on-line transaction via electronic fund transfer. Gallery-Hopping And Shopping-Via PC, (Exhibit 4) teaches an on-line art market for posting a plurality of artworks for purchase by a consumer, using a computer, the consumer is able to browse through thousands of artworks, make a bid, and seal the purchase. Digitized Art Gallery Paints Retail's Future, (Exhibit 5) teaches a buyer driven system for purchasing ArtView works by viewing images of paintings via an on-line service, and for creating by gallery owners, customized catalogs based on customers' preferences. Gifford (Exhibit 6) discloses a method and a corresponding system for purchasing goods and services over a computer network, the system provides the buyer the ability to retrieve and display digital advertisements from merchant computers, and to purchase the product described by the digital advertisement over a computer network. Lindsey et al. (Exhibit 7) teaches a commodity trading system having a centralized computer and a database for carrying out transactions of goods using electronic title. Fujisaki (Exhibit 8) discloses an auction information transmission processing system that enables individuals to participate in an auction on a real-time basis by connecting a plurality of dealer computers to a plurality

of front computers to a host computer via communication lines. Lalonde et al. (Exhibit 9) teaches a computer based classified ad system and method for buy-sell transactions, such as the sale of real estate, a matching process is conducted between ads places in a database by sellers and want ads placed in a database by potential buyers. Lastly, Kelly et al. (Exhibit 10) teaches a method and a corresponding system for the controlled disposition of selected capital assets by transporting the asset from a customer facility to a disposition facility, and processing the asset in accordance with a preselected method of disposition. A combination of image and related data is created and loaded into a database via the system process controller at the disposition facility for subsequent reconciliation purposes.

Therefore, there is substantial likelihood that a reasonable examiner would consider the teachings of theses references important in deciding whether or not the claims under re-examination are patentable.

4. Extensions of time under 37 CFR 1.136(a) will not be permitted in these proceedings because the provisions of 37 CFR 1.136 apply only to "an applicant" and not to parties in a reexamination proceeding. Additionally, 35 U.S.C. 305 requires that reexamination proceedings "will be conducted with special dispatch" (37 CFR 1.550(a)). Extension of time in reexamination proceedings are provided for in 37 CFR 1.550(c).

5. The patent owner is reminded of the continuing responsibility under 37 CFR 1.565(a) to apprise the Office of any litigation activity, or other prior or concurrent

proceeding, involving Patent No 5,845,265. Throughout the course of this reexamination's proceeding. The third party requester is also reminded of the ability to similarly apprise the Office of any such activity or proceeding throughout the course of this reexamination proceeding. See MPEP §§ 2207, 2282 and 2286.

Conclusion

6. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Hani Kazimi whose telephone number is (703) 305-1061. The examiner can normally be reached Monday-Friday from 8:30 AM to 5:00 PM.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Vincent Millin can be reached at (703) 308-1065.

Any inquiry of a general nature or relating to the status of this application should be directed to the Group receptionist whose telephone number is (703) 308-1113 or 1114.



HANI M. KAZIMI
PRIMARY EXAMINER
Art Unit 3624

June 1, 2004

Exhibit P

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014



UNITED STATES DEPARTMENT OF COMMERCE
Patent and Trademark Office

Address: COMMISSIONER OF PATENTS AND TRADEMARKS
Washington, D.C. 20231

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.
09/253,021	02/19/99	WOOLSTON	T 55422.000006

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601 THIRTEENTH STREET, NW
WASHINGTON DC 20005

LMC1/0607

EXAMINER	
SMITH, D	
ART UNIT	PAPER NUMBER
2763	18
DATE MAILED: 06/07/00	

Please find below and/or attached an Office communication concerning this application or proceeding.

Commissioner of Patents and Trademarks

Office Action Summary

Application No.
09/253,021

Applicant(s)

Woolston

Examiner
Demetra R. Smith

Group Art Unit
2783

☒ Responsive to communication(s) filed on Oct 1, 1999

☐ This action is FINAL.

☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11; 453 O.G. 213.

A shortened statutory period for response to this action is set to expire 3 month(s), or thirty days, whichever is longer, from the mailing date of this communication. Failure to respond within the period for response will cause the application to become abandoned. (35 U.S.C. § 133). Extensions of time may be obtained under the provisions of 37 CFR 1.136(a).

Disposition of Claim

☒ Claim(s) 17-39 and 51-55 is/are pending in the application.

Of the above, claim(s) _____ is/are withdrawn from consideration.

☐ Claim(s) _____ is/are allowed.

☒ Claim(s) 17-39 and 51-55 is/are rejected.

☐ Claim(s) _____ is/are objected to.

☐ Claims _____ are subject to restriction or election requirement.

Application Papers

☐ See the attached Notice of Draftsperson's Patent Drawing Review, PTO-948.

☐ The drawing(s) filed on _____ is/are objected to by the Examiner.

☐ The proposed drawing correction, filed on _____ is ☐ approved ☐ disapproved.

☐ The specification is objected to by the Examiner.

☐ The oath or declaration is objected to by the Examiner.

Priority under 35 U.S.C. § 119

☐ Acknowledgement is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d).

☐ All ☐ Some* ☒ None of the CERTIFIED copies of the priority documents have been

☐ received.

☐ received in Application No. (Series Code/Serial Number) _____.

☐ received in this national stage application from the International Bureau (PCT Rule 17.2(a)).

*Certified copies not received: _____

☐ Acknowledgement is made of a claim for domestic priority under 35 U.S.C. § 119(e).

Attachment(s)

☒ Notice of References Cited, PTO-892

☐ Information Disclosure Statement(s), PTO-1449, Paper No(s). _____

☐ Interview Summary, PTO-413

☐ Notice of Draftsperson's Patent Drawing Review, PTO-948

☐ Notice of Informal Patent Application, PTO-152

— SEE OFFICE ACTION ON THE FOLLOWING PAGES —

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Part III DETAILED ACTION

Allowable Subject Matter

1. The indicated allowability of claims 17-39 and 51-55 are withdrawn in view of the newly discovered reference(s) to Save the Earth Foundation: Internet Online Rock and Roll Art Auction Celebrating Earth Day is Declared Open to the World for One Month, by Business & Entertainment Editors dated April 25, 1995 ("Save the Earth"); Computer Museum Holds An Internet Auction by Open Systems Today dated May 9, 1994 ("Computer Museum"); Experimental Market Economics, by Vernon L. Smith and Arlington W. Williams dated September 1991 ("Experimental Market"); From Army Knives to Gold Coins, Collectors Attend 'On-line' Auctions by Amy Sharp; and Nahan et al (5,664,111). Rejections based on the newly cited reference(s) follow.

Claim Rejections - 35 USC § 103

2. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

3. Claims 17, 19, 20, 38, 51 and 54 are rejected under 35 U.S.C. 103(a) as being unpatentable over Save the Earth in view of Computer Museum in view of From Army Knives to Gold Coins.

As to claims 17, 38, 51, and 54, Save the Earth discloses an internet auction wherein items are presented to be viewed on Internet (see paragraph 3); items for auction are identified as to whom has ownership of the item (see paragraph 3; all items are autographed by the artist); scheduling the auction (see paragraph 3; from April 22 through May 21, 1995); items for auction are presented via the world wide web (see paragraph 3 and 4); participants are able to receive bids on items over the internet (see paragraph 5, lines 1-3).

Although not specifically taught in Save the Earth, all auctions by nature must end at some point in time to award an item to the highest bidder. Of course the award to the highest bidder would include some form of notification. In live auctions bidding would only occur for a few minutes and would terminate on the discretion of the auctioneer by announcing that an item has been "sold" followed by an announcement of the winning participant usually by number, i.e. "sold to number 705 for \$1000". Internet auctions clearly would also need to provide this service in order to have a functioning auction. Save the Earth is vague in disclosing the limitations of "terminating bids and notification to buyer." However, Computer Museum discloses an internet auction, similar to that in Save the Earth, wherein participants were notified by e-mail as to whether their bids were accepted or not and further were notified after the auction had been

terminated (see paragraphs 9 and 10). It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated this teaching of termination and notification in the auction of Save the Earth because Computer Museum provides the well-established means of communicating over the internet, i.e. e-mail, in an internet auction.

Additionally, Save the Earth is vague in disclosing the limitations of "generating an identification code to uniquely identify said item." However, From Army Knives to Gold Coins discloses that Acorn Collector Services Network provides its 350 subscribers descriptions of coins and other collectibles (see page 1, paragraph 4); the coins are registered by an accepted organization prior to their offering and they are offered for sale as individual items on the database (see page 2, paragraph 10). In the art of purchasing or making a transaction for a desired item, whether on the internet, in a store, or in a catalog, the desired item is identified by a name or code in order to provide the purchaser with information about the particular time and/or to insure an accurate purchase of the particular item. It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated this teaching of providing identification of the item in the auction of Save the Earth because From Army Knives to Gold Coins provides a well-established means of identifying coins and other collectibles in the internet auction.

Additionally, Save the Earth is vague in disclosing the limitations of "a computerized electronic database of said data records." Although not specifically taught in Save the Earth, a

database is one that can be dispersed or replicated among different points in a network. Clearly in an auction system, various items and various information about the item for auction on the internet would need to be stored in a database on the network since a databases contain aggregations of data records or files that can consist of products, inventories, or profiles. However, From Army Knives and Gold Coins discloses a network with a database that has several different auctions or trading floors (see page 2, paragraph 7). It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated the teaching of a database in the auction of Save the Earth because From Army Knives and Gold Coins provides a database in the on-line system in the auction.

As to claims 19, All auctions by nature result in a binding offer for the sell and purchase of an item in order to legally sell a sellers item. Auctions will clearly need to provide a binding offer in order to have a mutual promise to perform based on the sellers wishes or simply to agree on a particular buyers offer. Save the Earth does not explicitly teach the method "contracting with said seller participant to create a binding offer to auction said uniquely identified item through said auction process." However, From Army Knives to Gold Coins discloses the Registered Coin Trading Floor registers the coins by an accepted organization prior to their offering (See page 2, paragraph 11). It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated the teachings of registering the item for auction prior

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to offering it through the auction process for upholding a legal obligation to auction the seller's item.

As to claim 20, although not specifically taught in Save the Earth, all transactions from the sell, purchase, or auction of an item whether in a store, in a catalog, or on the internet provides the purchaser or bidder with payment instructions in order to successfully handle the transfer of ownership of an item. Internet auctions would clearly need to provide payment instructions to bidders in order to guarantee buyers payment and to complete such binding offer between the seller and the buyer. Save the Earth is vague in disclosing the limitations of "providing payment instructions to said internet participant with said high bid in said auction process." However, Computer Museum discloses those participants with winning bids were contacted by the museum, their auction registration information was verified, and the museum arranged for payment and delivery (see paragraph 10). It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated this teaching of arranging for payment in the auction of Save the Earth because Computer Museum provides a well-established means of advising participants of the proper method of payment in order to transfer ownership of the particular item that was a successfully high bid.

4. Claims 18, 21, 52, 53, and 55, are rejected under 35 U.S.C. 103(a) as being unpatentable over Save the Earth in view of Computer Museum in view of From Army Knives to Gold Coins as applied to claims 17, 38, 51 and 54 above, and further in view of Official Notice.

As to claims 18, 21, 52, 53, and 55, Official Notice is taken that the payment information from the auction participant is accepted before bids and the payment method is in the form of a credit card payment method. Although not specifically taught in Save the Earth, determining and designating a payment method in transactions or auctions is generally recognized as routine knowledge among skilled artisans within the transactional art. Accepting the payment information before the bids is used in a transaction environment in order to verify the validity of the payment and to minimize the risk of fraud and unauthorized use.

Thus it would have been obvious to one skilled in the art at the time of the invention to incorporate the payment information from the auction participant is accepted before bids and the payment method is in the form of a credit card payment in the auction systems of Save the Earth in view of Computer Museum in view of From Army Knives to Gold Coins in order to provide an secure auction system with a verification process that reserves and verifies the payment of the auction participant's ability to pay for such items for auction and to enable authorization from a bank or clearing house to transfer funds for payment upon a successful bid.

5. Claims 22, 26, 31, and 39 are rejected under 35 U.S.C. 103(a) as being unpatentable over Save the Earth in view of Experimental Market in view of From Army Knives to Gold Coins.

As to claims 22, 26, 31, and 39 Save the Earth discloses an internet auction wherein items are presented to be viewed on Internet (see paragraph 3); items for auction are identified as to whom has ownership of the item (see paragraph 3; all items are autographed by the artist); scheduling the auction (see paragraph 3; from April 22 through May 21, 1995); items for auction are presented via the world wide web (see paragraph 3 and 4); participants are able to receive bids on items over the internet (see paragraph 5, lines 1-3). It is inherent to one having ordinary skill of the art that an WWW site contains a mapping module. A World Wide Web page contains a Uniform Resource Locator (URL) which represents an address for a resource on the Internet. Therefore, a URL specifies the protocol to be used in accessing the resource and the URL is mapped into a World Wide Web server to retrieve World Wide Web documents and data.

Save the Earth is vague in disclosing the limitations of "said computer executing an auction program that schedules multiple simultaneous auctions of items for auction on the Internet." However, an article on Experimental Market Economics by Smith et al published on 9/91 of *Scientific America* discloses that double oral continuous auctions were carried out via computer networks. The double continuous auctions allowed participants to bid on various commodities simultaneously as shown in Fig.2 and as discussed on page 6. Although this experiment was not conducted via the Internet, clearly the same elements that are required for an Internet auction were in place. For example, various buyers were at their own terminals and a central computer or database controlled the information distributed to all participants. Therefore, it would have been obvious to one having ordinary skill in the art to incorporate this already

sophisticate programming of Experimental Market Economics and adapt it for use on the Internet with the auction system of Computer Museum for making simultaneous actions available, to allow the auctions to move more quickly, and to allow participants to continually engage in the auction. This process will prevent participants from having to wait for a particular item of interest nearly as long to be auctioned if more than one took place at a time.

Additionally, Save the Earth is vague in disclosing the limitations of "a computerized electronic database of said data records." Although not specifically taught in Save the Earth, a database is one that can be dispersed or replicated among different points in a network. Clearly in an auction system, various items and various information about the item for auction on the internet would need to be stored in a database on the network since a databases contain aggregations of data records or files that can consist of products, inventories, or profiles. However, From Army Knives and Gold Coins discloses a network with a database that has several different auctions or trading floors (see page 2, paragraph 7). It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated the teaching of a database in the auction of Save the Earth because From Army Knives and Gold Coins provides a database in the on-line system in the auction.

6. Claims 23-25, 27, 28-30, 32-37 are rejected under 35 U.S.C. 103(a) as being unpatentable over Save the Earth in view of Computer Museum in view of From Army Knives to Gold Coins as applied to claims 22, 26, 31, and 39 above, and further in view of Nahan et al (5,664,111).

As to claims 23, 25, 28, 29, 30 and 32, each claims are directed toward payment information, payment instructions, and processing payment instructions from various accounts such as credit card, transfer of funds, or escrow accounts. Processing a payment from various accounts during a transaction is well known in the art in order to complete a transaction and to transfer ownership of an item that was purchased. Selecting the type of account for payment depends solely on the method of payment the seller prefers, therefore, any type of account, i.e. credit card, debit card, check, cash, etc., can be implemented to complete a transaction. On the other hand, performing a transaction during a live auction would be very similar to completing a transaction for the purchase of an item, however, the transaction would take place only between the seller and the highest bidder. Save the Earth in view of Computer Museum is vague in disclosing the limitations of "a transaction processing module connected to data interface, said transaction processing module receiving payment information from participants of said multiple simultaneous auctions," "an accounting module connected to said transaction processing module, said accounting module maintaining financial accounts for said seller of an item for auction at said simultaneous internet auction apparatus," "means for receiving payment instructions from said internet participants in said simultaneous internet auctions," "means for processing payment instructions to transfer funds from an internet auction participant's account to another account," "means for processing payment instructions to transfer funds from said internet participant's account to an escrow account accessed by said simultaneous internet auction apparatus, and means for deducting a predetermined amount from said transaction and depositing said deducted

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predetermined amount to a second account accessed by said simultaneous internet auction apparatus," and "means for maintaining private accounts for a plurality of sellers at said simultaneous internet auction apparatus." However, Nahan et al discloses if after the issuance of a receipt confirmation the buying dealer indicates his acceptance of the work, or if a predetermined period of time elapses without notification of rejection of the work the system issues an artwork acceptance advice to the listing dealer. The escrowed purchase funds are then transferred to the listing dealer's account and notification of the wire transfer is made electronically by way of a wire transfer advice to the listing dealer. (See col. 14, lines 31-49). It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated a method of payment in the auction system of Save the Earth in view of Computer Museum because Nahan et al provides a well-established means of transferring escrowed purchase funds on a network into an account for the listing dealer in order to provide an efficient method of payment between a plurality of participants in an action system.

As to claim 24, although not specifically taught in Save the Earth in view of Computer Museum in view of From Army Knives to Gold Coins, when purchasing or making a transaction for a desired item, whether on the internet, in a store, or in a catalog, the desired item is identified by a name or code in order to provide the purchaser with information about the particular item and/or to insure an accurate purchase of the particular item. Such names or codes can be implemented in a database of a computer system. Save the Earth in view of Computer Museum in

view of From Army Knives to Gold Coins is vague in disclosing the limitations of "a tracking code generator module connected to said data interface, said tracking code generator module generating tracking codes to uniquely track said items for auction." However, Nahan et al teaches a tracking inquiry if the main computer does not receive an indication of availability of a work which is the subject of a buy order within a predetermined period of time (see col. 18, lines 52-56).

Additionally, as to claims 27 and 33, although not specifically taught in Save the Earth in view of Computer Museum, a transactional or point-of-sale system on a network can be implemented to include a status notification to inform customers and sellers if a desired product is sold out. Save the Earth in view of Computer Museum in view of From Army Knives to Gold Coins is vague in disclosing "means for accessing a plurality of database and an item sold database." However, Nahan et al discloses an art report that comprises a print-out of one or more selected images and any relevant information about the work(s) which is stored on the system. This information includes the artist's name, title of artwork, date, size and medium and may include items such as bid date, common media, selling prices, data about the work itself such as previous selling price(s), etc., and whether the work has been reserved or sold (see col. 11, lines 60-67).

As to claims 24 and 33, it would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated the teachings of a tracking code generator, and accessing an auction database and an item sold database in the auction of Save the

Earth in view of Computer Museum because Nahan et al provides an efficient method of communicating with a buyer and seller, using database, information and the status of a particular item for auction.

As to claims 34 and 35, although not specifically taught in Save the Earth in view of Computer Museum, all databases are accessed in numerous of ways since a database consists of a collection of data. In a network system, databases would be accessed by using some form of a search request to retrieve information in files or data records. Save the Earth in view of Computer Museum in view of From Army Knives to Gold Coins is vague in disclosing the limitations of "means for searching said inventory of items for auction in response to a search request for an internet participant," and "means for generating a search request to a second simultaneous internet auction apparatus in response to a search request from an internet participant." Nahan et al however teaches a search criteria is inputted through the intelligent terminals for selecting at least one of the stored electronic images for review (see abstract, lines 14-16). The system provides member dealers access to an extensive and diverse collection of artwork from the inventories of other member dealers around the world to satisfy the most demanding customers while, concurrently, offering member dealers the opportunity to sell their inventory throughout the world (see col. 2, lines 50-59). It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated the teaching of inputting a search criteria in the auction system of Save the Earth in view of Computer

Museum which is performed simultaneously as taught by Experimental Market Economics because Nahan et al provides an auction system that allows the participant the ability to search the databases of the auction system for a particular item of interest.

As to claim 36, although not specifically taught in Save the Earth in view of Computer Museum in view of From Army Knives to Gold Coins, databases by nature are aggregations of data records or files such as sales transactions, products, catalogs, inventories, and customer profiles. Databases clearly can be implemented to archive information that may be accessed. Save the Earth in view of Computer Museum in view of From Army Knives to Gold Coins is vague in disclosing the limitation of "means for archiving information about times from said inventory of items that were auctioned at said simultaneous internet auction apparatus. However, Nahan et al discloses a separate application of the system that can be used by the museum to archive its own inventory with a file or color images and data for each work in its possession, which, together with the factual data, can be made available for their own curatorial uses (see col. 4, lines 62-67 - col. 5, lines 1-3). It would therefore have been obvious to incorporate the teachings of archiving an inventory with a file or color image in the auction of Save the Earth in view of Computer Museum in view of From Army Knives to Gold Coins because Nahan et al provides an efficient auction system with a sufficient, consistent, and accurate assessable database of the inventory of items.

As to claim 37, Official notice is taken that a means for generating electronic mail to apprise an Internet participant of upcoming auction events. Generating an electronic mail with a specific message is well known in the electronic mail distribution art and is generally recognized as routine knowledge among skilled artisans within the art. Thus, it would have been obvious to one having ordinary skill in the art at the time of the invention to implement electronic mail sent to the registers in Computer Museum to include an E-mail of upcoming auction events in order to keep registrants abreast and updated on events.

Conclusion

7. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.

Dedrick (5,752,238) discloses a consumer-driven electronic information pricing mechanism including a pricing modulator and pricing interface containing multiple pricing options for electronic content and multiple content to advertisement ratios associated with the pricing options.

Dozier (5,870,552) discloses a method and apparatus for publishing hypermedia documents over wide area networks such as the World Wide Web.

8. Any inquiry concerning this communication or earlier communications from the examiner should be directed to **Demetra R. Smith**, whose telephone number is (703) 308-6989. The examiner can normally be reached on Tuesday-Friday from 8:00 a.m. to 5:00 p.m. EST.

Serial Number: 09/253,021

16

Art Unit: 2763


If attempts to reach the examiner by phone fail, the examiner's supervisor, **Kevin J. Teska**, can be reached at (703) 305-9704. Additionally, the fax phone for Art Unit 2764 is (703) 308-9051 or 308-9052, (for formal communications intended for entry), or (703) 308-5397 (for informal or draft communications, please label "PROPOSED" OR "DRAFT").

Hand-delivered responses should be brought to Crystal Park II, 2121 Crystal Drive, Arlington, VA, Sixth Floor (Receptionist).

Communications via Internet e-mail regarding this application, other than those under 35 U.S.C. 132 or which otherwise require a signature, may be used by the applicant and should be addressed to [Demetra.Smith@uspto.gov].

All Internet e-mail communications will be made of record in the application file. PTO employees do not engage in Internet communications where there exists a possibility that sensitive information could be identified or exchanged unless the record includes a properly signed express waiver of the confidentiality requirement of 35 U.S.C. 122. This is more clearly set forth in the Interim Internet Usage Policy published in the Official Gazette of the Patent and Trademark on February 25, 1997 at 1195 OG 89.

Any inquiry of a general nature or relating to the status of this application should be directed to the Group receptionist at (703) 305-3900.


Demetra R. Smith
Patent Examiner
Group Art Unit 2764
June 2, 2000

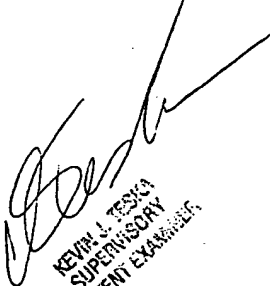

KEVIN J. TESKA
SUPERVISORY
PATENT EXAMINER

Exhibit Q

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014

PATENT
Attorney Docket No. 55422.000006

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re application of:

Thomas G. WOOLSTON

Serial Number: NOT ASSIGNED

Filed: February 19, 1999

Examiner: NOT ASSIGNED

Group Art Unit: NOT ASSIGNED

For: METHOD AND APPARATUS FOR FACILITATING
INTERNET COMMERCE THROUGH INTERNETWORKED
MARKETS AND AUCTIONS

PRELIMINARY AMENDMENT

Assistant Commissioner for Patents
Washington, D.C. 20231

Sir:

Prior to examination, please amend the application as follows.

IN THE SPECIFICATION:

Please change the title of the invention to:

Method And Apparatus For Facilitating Internet Commerce
Through Internetworked Markets And Auctions

Page 1, Line 1, after the Title of the Invention, please insert the following:

-This patent application seeks priority from ^{O.U.} U. S. Patent Application Serial No.

09/166,779 filed October 6, 1998, which is a ^{Con-04} ~~divisional~~ of U.S. Patent Application Serial No.

08/554,704, now U.S. Patent No. 5,845,265, filed November 7, 1995 and U.S. Patent Application

1
10
serial No. 08/427,820 filed April 26, 1995, all of which are incorporated herein by reference in
their entirety.--

IN THE CLAIMS:

Please cancel claims 1-10, without prejudice.

Please add the following claims:

- 1 -11. A method of internetworking a plurality of computerized electronic databases
2 which allows the transfer of an ownership interest in an item between said plurality of databases
3 comprising:
4 creating a first computerized electronic database of data records, each said data
5 record containing a description of an item, said data record conveying an ownership interest of
6 said described item to an entity;
7 transferring said ownership interest in said described item from said entity to a
8 second entity by denoting in said data record of said described item the new ownership interest of
9 said second entity;
10 transferring said data record containing said description of said item from said
11 first computerized electronic database of data records to a second electronic database of data
12 records in response to a command from said second entity.
- 1 12. The method of claim 1 wherein said data record at said second electronic database
2 of data records maintains a data entry of said first ownership interest of said first entity.

1 13. The method of claim 1 further comprising:
2 receiving physical possession of said item described in said data record of said
3 item by said first entity before said first entity creates said data record that describes said item at
4 said first computerized electronic database.

1 14. The method of claim 3 wherein a bailee relationship arises at said step of
2 transferring ownership interest from said first entity to said second entity.

1 15. The method of claim 1 further comprising:
2 said first entity securing a bailee relationship with a third entity before said step of
3 securing physical possession of said used or collectable good.

1 16. The method of claim 1 further comprising:
2 scheduling said used good or collectable for auction at said second computerized
3 database of data records in response to a command from said second entity.

1 17. ~~1~~ A method for auctioning an uniquely identified item with a computerized
2 electronic database of data records on the internet comprising:
3 a creating a data record containing a description of an item, said data record
4 connoting an ownership interest in said item to a seller participant on said computerized
5 electronic database of said data records;
6 b generating an identification code to uniquely identify said item;
7 c scheduling an auction for said item at said computerized database of records;
8 d presenting said item for auction to an audience of participants through a
9 worldwide web mapping module executing in conjunction with said computerized database, said
10 worldwide web mapping module translating information from said data record on said

11 computerized database of records to a hypertext mark up language format for presentation
12 through the internet//
13 receiving bids on said item from participants on the internet through an auction
14 process that executes in conjunction with said computerized database of data records/
15 terminating said auction for said item when said auction process reaches
16 predetermined criteria/
17 notifying an auction participant of the high bid in said auction process; and/
18 providing said unique identification code to said auction participant with said high
19 bid to uniquely identify said item./

1 ~~18~~. 2 The method of claim ~~18~~ further comprising:
2 accepting payment information from said auction participant before accepting bids
3 at said auction process from said auction participant.

1 ~~19~~. 4 The method of claim ~~19~~ further comprising:
2 contracting with said seller participant to create a binding offer to auction said
3 uniquely identified item through said auction process.

1 ~~20~~. 5 The method of claim ~~20~~ further comprising:
2 providing payment instructions to said internet participant with said high bid in
3 said auction process.

1 ~~21~~. 3 The method of claim ~~21~~ wherein said payment information is credit card payment
2 information and further comprising:
3 processing said credit card payment information to authorize said payment before
4 accepting a bid from said auction participant.

1 ~~2~~ ⁶ An apparatus for conducting fully automated simultaneous internet auctions

2 comprising:

3 a computer operationally connected to the internet;

4 a storage device operationally connected to said computer, said storage device

5 having a database of data records, said data records identifying an item for auction on the internet

6 by said computer, ^a

7 a data interface operationally connected to said computer, said data interface

8 providing an electronic connection between said computer and the internet;

9 a worldwide web to database mapping module, said worldwide web to database

10 mapping module providing a link between a hypertext mark up language page server and said

11 data storage device having data records of said items for auction;

12 an electronic mail module operationally connected to said data interface and

13 executing on said computer, said electronic mail module providing an information link to a seller

14 of an item for auction that is represented by said data record of said item for auction in said data

15 record on said data storage device; and

16 said computer executing an auction program that schedules multiple simultaneous

17 auctions of items for auction on the internet, said auction program determining an opening bid ^{c, d}

18 for a particular item and determining whether the particular auction is with or without reserve.

1 ~~2~~ ⁷ The apparatus of claim ~~2~~ ⁶ further comprising:

2 a transaction processing module connected to data interface, said transaction

3 processing module receiving payment information from participants of said multiple

4 simultaneous auctions.

1 ~~24~~ 9 The apparatus of claim ~~24~~ 6 further comprising:
2 a tracking code generator module connected to said data interface, said tracking
3 code generator module generating tracking codes to uniquely track said items for auction.

1 ~~25~~ 8 The apparatus of claim ~~25~~ 7 further comprising:
2 an accounting module connected to said transaction processing module, said
3 accounting module maintaining financial accounts for said seller of an item for auction at said
4 simultaneous internet auction apparatus.

1 ~~26~~ 10 An apparatus for conducting fully automated simultaneous internet auctions
2 comprising:
3 a communication protocol stack executing on a computer, said communication
4 protocol stack providing means for accessing said automated simultaneous internet auction;
5 computer means for maintaining an inventory of items for sale at said
6 simultaneous internet auction, means for generating hypertext mark-up language based web
7 pages in response to requests from internet participants, means for auctioning items from said
8 inventory of items to internet participants and means for processing bids for said items auctioned
9 by said means for auctioning said items from said inventory of items and means for terminating
10 said auction of said item for auction.

1 ~~27~~ 11 The apparatus of claim ~~27~~ 10 in which said computer further provides:
2 means for notifying a seller when an item in said inventory of said items has been
3 sold at said auction.

12
1 ~~26~~ 12 The apparatus of claim ~~26~~ 10 in which said computer further provides:
2 means for receiving payment instructions from said internet participants in said
3 simultaneous internet auctions.

12
1 ~~26~~ 13 The apparatus of claim ~~26~~ 12 in which said computer further provides:
2 means for processing payment instructions to transfer funds from an internet
3 auction participant's account to another account.

13
1 ~~30~~ 14 The apparatus of claim ~~26~~ 13 in which said computer further provides:
2 means for processing payment instructions to transfer funds from said internet
3 participant's account to an escrow account accessed by said simultaneous internet auction
4 apparatus, and means for deducting a predetermined amount from said transaction and depositing
5 said deducted predetermined amount to a second account accessed by said simultaneous internet
6 auction apparatus.

E
10
1 ~~34~~ 15 The apparatus of claim ~~26~~ 10 in which said computer further provides:
2 means for securing access to said simultaneous internet auction apparatus to
3 prevent unauthorized sellers from modifying said inventory of said items for auction at said
4 simultaneous internet auction apparatus.

10
1 ~~35~~ 16 The apparatus of claim ~~26~~ 10 in which said computer further provides:
2 means for maintaining private accounts for a plurality of sellers at said
3 simultaneous internet auction apparatus.

10
1 ~~36~~ 17 The apparatus of claim ~~26~~ 10 in which said computer further provides:
2 means for accessing a plurality of databases comprising an auction database and
3 an item sold database.

1 ~~34~~. 18 The apparatus of claim ~~26~~¹⁰ in which said computer further provides:
2 means for searching said inventory of items for auction in response to a search
3 request for an internet participant.

1 ~~36~~. 19 The apparatus of claim ~~34~~¹⁸ in which said computer further provides:
2 means for generating a search request to a second simultaneous internet auction
3 apparatus in response to a search request from an internet participant. E

1 ~~38~~. 20 The apparatus of claim ~~26~~¹⁰ in which said computer further provides:
2 means for archiving information about items from said inventory of items that
3 were auctioned at said simultaneous internet auction apparatus.

1 ~~34~~. 21 The apparatus of claim ~~26~~¹⁰ in which said computer further provides:
2 a means for generating electronic mail to apprise an internet participant of
3 upcoming auction events.

1 ~~36~~. 22 A method for auctioning used goods and collectibles with a computerized
2 electronic database of data records comprising:
3 creating a data record containing a description of a unique used or collectable
4 good, said data record connoting an ownership interest in said unique used or collectable good to
5 an entity on said computerized electronic database of said data records;
6 entering in said data record a reserve price for said unique used or collectable
7 good;
8 scheduling an auction for said unique used or collectable good at said
9 computerized electronic database of records;

10 presenting said used or collectable good for auction to an audience of participants
11 through a worldwide web mapping module executing in conjunction with said computerized
12 electronic database of records, said worldwide web mapping module translating information
13 from said data record on said computerized electronic database of records to a hypertext mark up
14 language for presentation to said audience of participants through the internet;
15 receiving bids for said unique used or collectable good from participants on the
16 internet at said computerized electronic database of data records;
17 terminating said auction for said unique used or collectable good when an auction
18 process executing in conjunction with said computerized electronic database of records reaches a
19 predetermined termination point at said computerized electronic database of data records; and
20 notifying an auction participant of the successful high bid at said computerized
21 electronic database of data records.

A. B

An apparatus for conducting fully automated simultaneous internet auctions.

comprising:

a computer operationally connected to the internet;

a storage device operationally connected to said computer, said storage device
having a data record in a database of data records wherein said data record identifies a good for
auction on the internet by said computer;

a data interface operationally connected to said computer, said data interface
providing an electronic connection between said computer and the internet;

Concluded

a worldwide web to database mapping module, said worldwide web to database mapping module providing a link between a hypertext mark up language page server and said storage device having data records of said goods for auction;

an electronic mail module operationally connected to said data interface and executing on said computer, said electronic mail module providing an information link to a seller of a good for auction that is represented by said data record of said good for auction in said data record on said storage device; and

said computer executing an auction program that schedules multiple simultaneous auctions of goods for auction on the internet, said auction program determining an opening bid for a particular good and determining whether the particular auction is with or without reserve, said auction program providing auction results via said electronic mail module to said seller and a highest bid auction participant.—

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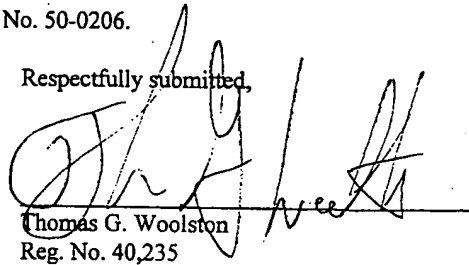
5

REMARKS

This Preliminary Amendment is submitted to improve the grammar and form of the application and thereby facilitate the prosecution thereof. No new matter has been added.

The Commissioner is hereby authorized to charge any fees which may be required or credit any overpayment to Deposit Account No. 50-0206.

Respectfully submitted,



Thomas G. Woolston
Reg. No. 40,235

Date: February 19, 1999

Hunton & Williams
1900 K Street, N.W., Suite 1200
Washington, D.C. 20006-1109
Telephone: 202/955-1500
Facsimile: 202/778-2201

Exhibit R

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014



UNITED STATES DEPARTMENT OF COMMERCE
Patent and Trademark Office
Address: COMMISSIONER OF PATENTS AND TRADEMARKS
Washington, D.C. 20231

SERIAL NUMBER	FILING DATE	FIRST NAMED APPLICANT	ATTORNEY DOCKET NO.
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EXAMINER

ART UNIT	PAPER NUMBER
----------	--------------

19

DATE MAILED:

EXAMINER INTERVIEW SUMMARY RECORD

All participants (applicant, applicant's representative, PTO personnel):

(1) Demetra R. Smith (3) John Phillips
(2) Kevin Teska (4) Dr. Palmer

Date of Interview 7/26/00

Type: ☐ Telephonic ☒ Personal (copy is given to ☐ applicant ☐ applicant's representative).

Exhibit shown or demonstration conducted: ☒ Yes ☐ No. If yes, brief description: Diagram chart of prior art & applicant's invention.

Agreement ☒ was reached with respect to some or all of the claims in question. ☐ was not reached.

Claims discussed: 17-39 & new proposed amended claims

Identification of prior art discussed: Nahan (5,664,111); Computer Museum Holds An Internet Auction; Save the Earth Foundation; Army Knives to Gold Coins; & Experimental Market Economics

Description of the general nature of what was agreed to if an agreement was reached, or any other comments: Applicant's representatives discussed the invention's differences over the present prior art & suggested some proposed amendments to clarify applicant's invention over the prior art. Examiner will review the proposed B claim amendment & ascertain an additional search on the invention. Proposed B claim is a tentative claim as reconsideration for allowance and allowable over the prior art.
(A fuller description, if necessary, and a copy of the amendments, if available, which the examiner agreed would render the claims allowable must be attached. Also, where no copy of the amendments which would render the claims allowable is available, a summary thereof must be attached.)

☒ It is not necessary for applicant to provide a separate record of the substance of the interview.

Unless the paragraph below has been checked to indicate to the contrary, A FORMAL WRITTEN RESPONSE TO THE LAST OFFICE ACTION IS NOT WAIVED AND MUST INCLUDE THE SUBSTANCE OF THE INTERVIEW (e.g., items 1-7 on the reverse side of this form). If a response to the last Office action has already been filed, then applicant is given one month from this interview date to provide a statement of the substance of the interview.

- ☐ 2. Since the examiner's interview summary above (including any attachments) reflects a complete response to each of the objections, rejections and requirements that may be present in the last Office action, and since the claims are now allowable, this completed form is considered to fulfill the response requirements of the last Office action. Applicant is not relieved from providing a separate record of the substance of the interview unless box 1 above is also checked.

Demetra Smith
Examiner's Signature

Exhibit S

PROTEST UNDER 37 C.F.R. § 1.291(a)

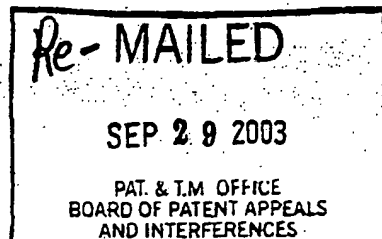
U.S. Patent Application Serial No.: 09/253,014

The opinion in support of the decision being entered today was not written for publication and is not binding precedent of the Board.

Paper No. 40

UNITED STATES PATENT AND TRADEMARK OFFICE

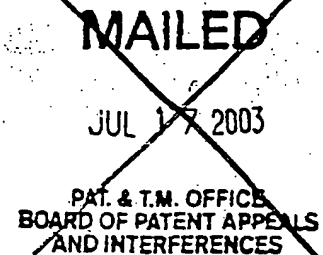
BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES



Ex parte THOMAS G. WOOLSTON

Appeal No. 2000-1192
Application No. 08/427,820

ON BRIEF



Before THOMAS, JERRY SMITH, and LEVY, Administrative Patent Judges.
LEVY, Administrative Patent Judge.

DECISION ON APPEAL

This is a decision on appeal under 35 U.S.C. § 134 from the examiner's final rejection of claims 6-28, which are all of the claims pending in this application.

BACKGROUND

Appellant's invention relates to consignment nodes. An understanding of the invention can be derived from a reading of exemplary claim 6, which is reproduced as follows:

FILED

NOV 28 2003

NANCY MAYER WHITTINGTON, CLERK
U.S. DISTRICT COURT

6. A method for creating a computerized market for used goods and collectibles using a computer, a database and a plurality of participant terminals comprising the steps of:

posting a used or collectable good on a market maker computer by creating a data record for said good having an item identification and offer price;

displaying in response to a participant request from said participant terminal to display said data record information on said participant terminal;

processing an order to buy said good from said participant terminal by transferring ownership of said good from a first owner to a second owner and changing said data record to reflect a new offer price from said second owner; and

posting said good on said market maker computer at said second owner offer price.

The prior art references of record relied upon by the examiner in rejecting the appealed claims are:

Fujisaki	4,789,928	Dec. 6, 1988
Lalonde et al. (Lalonde)	5,283,731	Feb. 1, 1994
Lindsey et al. (Lindsey)	5,285,383	Feb. 8, 1994
Barstow et al. (Barstow)	5,526,479	Jun. 11, 1996 (filed July 29, 1992)

Claims 16-20 stand rejected under 35 U.S.C. § 112, second paragraph, as being vague and indefinite.

Claims 6-15 and 21-28 stand rejected under 35 U.S.C.

§ 103(a) as being unpatentable over Lindsey in view of Lalonde.

Claims 16 and 18-20 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Fujisaki in view of Lindsey.

Claim 17 stands rejected under 35 U.S.C. § 103(a) as unpatentable over Fujisaki in view of Lindsey, and further in view of Barstow.

Rather than reiterate the conflicting viewpoints advanced by the examiner and appellant regarding the above-noted rejections, we make reference to the examiner's answer (Paper No. 30, mailed July 19, 1999) for the examiner's complete reasoning in support of the rejections, and to appellant's brief (Paper No. 28, filed March 12, 1999), Declaration and Supplemental Declaration, with accompanying exhibits (Paper No.s 23 and 27, filed September 15, 1998 and March 12, 1999, respectively) for appellant's arguments thereagainst¹. Only those arguments actually made by appellant

¹ The Reply Brief filed on November 1, 1999 was not timely submitted. The Petition filed May 2, 2000 for an Extension of Time under 36 CFR §1.137(b) and for Suspension of Rules under 37 CFR §1.183 was dismissed (Paper No. 37, mailed November 19, 2001). However, the Petition Decision states that "it is appropriate to apply the principles thereof [relating to unintentional delay] to the situation at issue. Applicant may wish to consider filing a petition to the Commissioner requesting acceptance of the delayed reply brief as if timely filed on the grounds that the delay was unintentional. A petition requesting acceptance of a delayed Reply Brief on the grounds of unintentional delay must be filed promptly and such petition must be accompanied by (1) by the amended reply brief, unless previously filed, and (2) the petition fee set forth in 37 CFR 1.17(m), and (3) a statement that the 'delay was unintentional.'" Because appellant did not subsequently petition for acceptance of the delayed reply brief as unintentional, the Reply Brief is not properly before us and cannot be considered.

have been considered in this decision. Arguments which appellant could have made but chose not to make in the brief have not been considered, and are deemed to have been waived. See 37 CFR 1.192(a).

OPINION

In reaching our decision in this appeal, we have carefully considered the subject matter on appeal, the rejections advanced by the examiner, and the evidence of indefiniteness and obviousness relied upon by the examiner as support for the rejections. We have, likewise, reviewed and taken into consideration, in reaching our decision, appellant's arguments set forth in the brief along with the examiner's rationale in support of the rejections and arguments in rebuttal set forth in the examiner's answer.

Upon consideration of the record before us, we reverse the rejection of claims 16-20 under 35 U.S.C. § 112, second paragraph, and affirm the rejection of claims 6-28 under 35 U.S.C. § 103(a), except as otherwise noted, for the reasons cogently set forth by the examiner, and add the following amplifying comments.

We begin with the rejection of claims 16-20 under 35 U.S.C. § 112, second paragraph, as being indefinite. Claims are considered to be definite, as required by the second paragraph of 35 U.S.C. § 112, when they define the metes and bounds of a claimed invention with a reasonable degree of precision and particularity. See In re Venezia, 530 F.2d 956, 958, 189 USPQ 149, 151 (CCPA 1976). The examiner's position (answer, pages 8 and 9) is that claim 16 attributes certain functions to software alone, i.e., that from the language "said caller program processing an opening bid" the program alone is cited as performing certain functions and is not directly tied to the server alone. The examiner argues to the effect that even though claim 16 initially recites that the caller program is executed by the server computer, that the later claimed functions attributed to the caller program are more extensive than the functions initially listed as being performed as a result of execution of the caller program by the server computer.

From our review of claim 16, we are in agreement with appellant (brief, page 38) that in view of the language of claim 16 that the server computer executes the caller program, that the later recitations of functions performed by the caller program are understood to be performed by the caller program as executed

by the server computer. Accordingly, we find the language of claim 16 to be definite within the meaning of 35 U.S.C. § 112, second paragraph. The rejection of claims 16-20 under 35 U.S.C. § 112, second paragraph, is therefore reversed.

We turn next to the rejection of claims 6-15 and 21-28 under 35 U.S.C. § 103(a) as unpatentable over Lindsey in view of Lalonde. We begin with independent claim 6. In rejecting claims under 35 U.S.C. § 103, it is incumbent upon the examiner to establish a factual basis to support the legal conclusion of obviousness. See In re Fine, 837 F.2d 1071, 1073, 5 USPQ2d 1596, 1598 (Fed. Cir. 1988). In so doing, the examiner is expected to make the factual determinations set forth in Graham v. John Deere Co., 383 U.S. 1, 17, 148 USPQ 459, 467 (1966), and to provide a reason why one having ordinary skill in the pertinent art would have been led to modify the prior art or to combine prior art references to arrive at the claimed invention. Such reason must stem from some teaching, suggestion or implication in the prior art as a whole or knowledge generally available to one having ordinary skill in the art. Uniroyal, Inc. v. Rudkin-Wiley Corp., 837 F.2d 1044, 1051, 5 USPQ2d 1434, 1438 (Fed. Cir. 1988); Ashland Oil, Inc. v. Delta Resins & Refractories, Inc., 776 F.2d 281, 293, 227 USPQ 657, 664 (Fed. Cir. 1985); ACS Hosp. Sys.

Inc. v. Montefiore Hosp., 732 F.2d 1572, 1577, 221 USPQ 929, 933 (Fed. Cir. 1984). These showings by the examiner are an essential part of complying with the burden of presenting a prima facie case of obviousness. Note In re Oetiker, 977 F.2d 1443, 1445, 24 USPQ2d 1443, 1444 (Fed. Cir. 1992). If that burden is met, the burden then shifts to the applicant to overcome the prima facie case with argument and/or evidence. Obviousness is then determined on the basis of the evidence as a whole. See id.; In re Hedges, 783 F.2d 1038, 1039, 228 USPQ 685, 686 (Fed. Cir. 1986); In re Piasecki, 745 F.2d 1468, 1472, 223 USPQ 785, 788 (Fed. Cir. 1984); and In re Rinehart, 531 F.2d 1048, 1052, 189 USPQ 143, 147 (CCPA 1976). The examiner's position (answer, page 4 and 5) is that Lindsey does not specifically teach that the system can be used for "used or collectable [sic] goods." To overcome this deficiency in Lindsey, the examiner turns to Lalonde for a teaching of a computer based system for posting goods for sale for electronic review by buyers where the system can be applied to any field where conventional classified ads are useful, which, inherently includes used goods and collectibles goods. The examiner asserts (id.) that it would have been obvious to modify the teachings of Lindsey to include used and

collectable goods, in view of Lindsey's teaching of providing security against fraud in the marketing of goods.

Appellant asserts (brief, page 19) that the references fail to suggest specific claim limitations and that the references are not properly combinable. It is argued (brief, page 22) that the specification defines a market maker computer as "a computer that performs functions allowing a plurality of buyers and sellers to exchange goods where (1) the good can be shipped to a participant-designated location or (2) the participant may take electronic legal ownership of the good and post a new participant-defined offer or a reserve price." Appellant's specification also provides (pages 4 and 5) that participants using the market maker computer can post buy at and sell at quantities and prices and may become a market maker for collectible goods." Appellant asserts (brief, page 22) that Lindsay does not disclose buying and selling of items on the computer and therefore does not disclose the claimed market maker computer. It is further argued that with respect to Lalonde, (id.) that "classified advertisements do not rise to the level of buying and selling." Appellant additionally argues (brief, page 23) that neither reference is directed to the claimed used goods and collectibles markets. Moreover, appellant argues (brief,

page 24) that there is no teaching or suggestion in Lindsey of changing a price after a change in ownership.

We find that Lindsey discloses (col. 2, lines 19-21) a computerized system for trading baled cotton. The invention is applicable to other commodities, such as grain, lumber, etc. (col. 3, lines 43 and 44). Lindsey further discloses (col. 3, lines 40-43) that "[i]t is to be understood, however, that the principles and concepts of the invention can be utilized in other environments and are not thereby limited to commodities or the equipment shown" and (col. 1, lines 35 and 36) that "[w]hen trading commodities, as perhaps other types of goods"

From the disclosure of Lindsey that the invention is not limited to the trading of commodities, we find that an artisan would have been motivated to trade, i.e., buy and sell non commodities, such as used goods or collectibles. We find the language "used goods and collectibles" to be a very broad definition of goods, encompassing a wide variety of goods across a spectrum of areas that can be broadly considered as being "used goods and collectibles." Although the examples of commodities or automobiles provided by Lindsey are directed to the trading of goods that include warehouse receipts or evidence of title, that purchase or sale of many used and collectable goods inherently

come with evidence of ownership, such as a sales receipt. In addition, when Lindsey discloses that the invention is not limited to commodities, Lindsey does not state that the non-commodities require a title. In any event, we find that Lalonde discloses (col. 1, line 67 through col. 2, line 2) a computer based classified ad system. Lalonde further discloses (col. 3, lines 49-51) that "[i]n general, the system of the present invention can be applied to any field in which conventional classified ads are useful." From the disclosure of Lalonde that "the invention can be applied to any field in which classified ads are useful" we find that Lalonde's classified ad system is directed to the buying and selling of used and collectable goods. We agree with the examiner (answer, page 5) that the "any field in which conventional classified ads are useful" inherently includes used goods and collectibles. In addition, although the examiner additionally relies upon Lalonde for a teaching of searching posted goods to match buyers with sellers, we find that this feature is disclosed by Lindsey, who discloses (col. 4, lines 52-55) that the invention provides coordinated interaction between the various gins, warehouses and buyers to achieve an effective and efficient cotton trading program, and that (col. 30, line 66 through col. 31, line 11) a producer can display all

of his lots of cotton with their quality characteristics and quoted market value. Some farmers access the system using their own PCS, while others go to the gin where public PCS are available. The gin clerk can list a lot or query the system for them. At any time, there are approximately 40 buyers on the system. From this disclosure of Lindsey, we find that a prospective buyer can search the system for items to be purchased.

We are not persuaded by appellant's assertion (brief, page 22) that Lindsey does not disclose the claimed market maker computer which provides for goods to be shipped to a participant-designated location or posting a reserve price. From our review of claims 6 and 13-15, we find that these limitations are not found in the claims, and we decline to read into the claims limitations not found therein.

We are not persuaded by appellant's assertion (brief, page 22) that Lindsey does not disclose buying and selling items on the computer system. From our review of Lindsey, we agree with the examiner, for the reasons set forth on page 16 of the answer, that Lindsey discloses buying and selling of items on the computer system. We add that Lindsey discloses (col. 28, lines 66-68) that the system provides "an efficient and effective means

of executing transactions between all the major cotton buyers and sellers." Lindsey additionally discloses (col. 28, lines 48-51) that "[b]uyers scan the system for lots offered by producers, make competitive blind bids, buy at a firm asking price or enter a counter offer bid." We find these transactions between buyers and sellers to teach the buying and selling of goods on the computer system.

We are not persuaded by appellant's assertion (brief, page 22) that Lalonde is not directed to a market maker computer. Firstly, we find that the computer system of Lindsey is a "market maker" computer because it provides for the trading of goods, including the trading of goods multiple times (col. 23, lines 46 and 47). Secondly, we note that Lalonde is not relied upon by the examiner for a teaching of a market maker computer, but rather for a teaching of the use of used goods and collectibles in computerized classified ads.

We are not persuaded by appellant's assertion (answer, page 23) that the references do not disclose changing the data record to a new offer price selected by the new owner when posting the goods at the new owner's offer price. Nor do we agree with the examiner's reliance (answer, page 17) on "common knowledge" as "common knowledge" is the wrong standard to be applied. However,

Lindsey discloses (col. 23, lines 46-47) that "[t]he commodity can also be traded multiple times inside or outside the trading system 8." We find from the disclosure of Lindsey that during multiple trading of a commodity, the offer price will reflect an offer price by the new owner. Claim 6 recites that the data record reflects a new offer price from the second owner. The claim language, as drafted, can read on the new price being less than, the same as, or more than the original price paid by the second owner. Whatever price is set by the commodities trader who is the second owner, it is a new offer price to that second owner, and is inherently met by Lindsey. Because Lindsey discloses that a commodity can be traded multiple times within the system, we find that Lindsey discloses appellant's market maker computer, as it creates a market for the same item to be traded multiple times.

We are not persuaded by appellant's assertion (brief, page 23) that Lindsey does not disclose offering goods at any price, but rather uses price information as confirmation of an agreement made outside of the computer system. As stated, supra, because Lindsey discloses that buyers scan the system for lots offered and buy at a firm asking price, we find that Lindsey specifically discloses the buying and selling of goods on the system.

We are not persuaded by appellant's assertion (brief, page 23) that Lalonde does not disclose transferring ownership of a good from a first owner to a second owner. Nor does Lalonde disclose setting a new offer price by the second owner. As the examiner has not relied upon Lalonde for these features, we find appellant's arguments to be misplaced.

We turn next to appellant's Declaration and Supplemental Declaration regarding commercial success and long-felt need in the art. We begin with the issue of commercial success.

Appellant asserts (brief, page 20) that "[s]ystems employing features of the claimed invention are enjoying widespread and massive commercial success." It is asserted (id.) that "[t]he Supplemental Declaration provides further objective third-party evidence that the commercial success of features of the claimed invention are now massive and widespread (¶4)." Appellant argues that the Internet now contains at least 150 systems dedicated at least in part to creating an electronic market for used and collectible goods, and that the Supplemental Declaration provides overwhelming evidence that aspects of the claimed invention a level of commercial success that demonstrates non-obviousness. Appellant additionally argues (id.) that the licensing of the invention is additional probative evidence of the non obviousness

of the claimed invention. We find that the Declaration states (§ 18) that in some aspects, the claimed invention has met with great commercial success and acclaim by those skilled in the art. Appellant cites as examples (§ 4) a Trailblazers Award given to E-Bay for an online auction model, and a statement in the Press Release that shoppers spend more time on eBay than any other electronic commerce sale. The Supplemental Declaration states (§4) that Onsale and eBay sold more than \$250 million in products in 1997 and that and that sales for 1998 are expected to be \$1 billion. It is asserted (id.) that the success of the electronic market will further explode by the integration of seamless re-posting of goods as described by the claimed invention, and that participants will be able to make money by speculating in a safe and secure environment.

Objective evidence of nonobviousness including commercial success must be commensurate in scope with the claims. In re Tiffin, 448 F.2d 791, 171 USPQ 294 (CCPA 1971). In order to be commensurate with the scope of the claims, the commercial success must be due to the claimed features, and not due to unclaimed features, "Joy Technologies Inc. v. Manbeck, 751 F. Supp. 225, 229, 17 USPQ2d 1257, 1260 (D.D.C. 1990), aff'd, 959 F.2d 226, 228, 22 USPQ2d 1153, 1156 (Fed. Cir. 1992)." Appellant's

assertion Declaration (§ 18) that "in some aspects, the claimed invention has met with great commercial success" does not establish that the commercial success was due to the claimed features. A declaration attributing commercial success to a product or process according to the disclosure and claims or equivalent language does not establish a nexus between the claimed invention and the commercial success. Nor does appellant's assertion establish that whatever commercial success occurred is attributable to the claimed invention. Ex parte Standish, 10 USPQ2d 1454, 1458 (Bd. Pat. App. & Inter. 1988). In ex parte proceedings before the Patent and Trademark Office, an applicant must show that the claimed features were responsible for the commercial success of an article if the evidence of nonobviousness is to be accorded substantial weight. See In re Huang, 100 F.3d 135, 140, 40 USPQ2d 1685, 1690 (Fed. Cir. 1996). We are not persuaded by appellant's exhibit showing that the internet contains at least 150 systems dedicated in part to creating an electronic market for used and collectible goods². There is no evidence in the record of which of these companies

² Exhibits A and B attached to the Supplemental Declaration.

are enjoying commercial success, and no evidence that any commercial success is due to appellant's claimed invention. Appellant's statement in the Supplemental Declaration (§ 4) that "[t]he claimed inventions electronic market for used and collectible goods aspect has achieved great commercial success" does not tie the specific limitations of any of the claims to the asserted commercial success. In addition, the fact that Onsale and eBay had \$250 million in sales in 1997 does not establish a nexus between the sales and the claimed invention.

Even assuming that the appellant had sufficiently demonstrated commercial success, that success is relevant in the obviousness context only if it is established that the sales were a direct result of the unique characteristics of the claimed invention, as opposed to other economic and commercial factors unrelated to the technical quality of the claimed subject matter. See Cable Elec., 770 F.2d at 1027, 226 USPQ at 888. In other words, a nexus is required between the sales and the merits of the claimed invention. In ex parte proceedings before the Patent and Trademark Office, an applicant must show that the claimed features were responsible for the commercial success of an article if the evidence of nonobviousness is to be accorded substantial weight. The Declaration contains an assertion that

in some aspects, the claimed invention has met with great commercial success. The Declaration does not define the specific aspects referred to. The Supplemental Declaration (§s 4 and 6) also refer to "aspects" of the invention and the electronic market enjoying commercial success do not establish the required nexus. Appellant statement³ that the success of this electronic market will further explode by the integration of the seamless re-posting of the goods as described by the claimed invention, is not persuasive for three reasons. Firstly, the statement refers to future commercial success, and secondly refers to only a single limitation of the claimed invention. It is the claims as a whole that are to be considered. Thirdly, appellant has not shown that this feature was used by those enjoying commercial success, and that the commercial success was due to the claimed invention. Furthermore, appellant has failed to submit any factual evidence that would demonstrate the nexus between the commercial success and the claimed invention. Appellant has never provided a one-to-one correspondence between the claims and the commercial success. Moreover, commercial success can result from a variety of factors, such as ease of use of eBay's system,

³ Supplemental Declaration, ¶4.

customer service, system reliability and security, etc.

Appellant has not established that the commercial success enjoyed by eBay is a direct result of eBay's use of appellant's claimed invention. Nor has appellant demonstrated that eBay used appellant's claimed invention to establish its commercial success. Appellant's assertions that "some aspects" of the invention have resulted in commercial success is insufficient to establish a nexus between the commercial success and the claimed invention. In sum, appellant has not shown how the commercial success is attributable to the claimed invention. Evidence of commercial success of systems not covered by the claims subject to a rejection under 35 U.S.C. § 103 is not probative of nonobviousness. See also In re GPAC, 57 F.3d 1573, 1580, 35 USPQ2d 1116, 1121 (Fed. Cir. 1995); In re Paulsen, 30 F.3d 1475, 1482, 31 USPQ2d 1671, 1676 (Fed. Cir. 1994).

With respect to the evidence of licensing of the invention, the license states that it is for "use in the travel services industry." We note that appellant's claims are not directed to the travel services industry. In addition, the license refers to "patent number 5845265 and associated patents pending." The license does not specifically refer to the application before us on appeal. Nor does the license make clear which applications of

appellant are included in the license. Nor has Appellant shown success of the licensing program. From all of the above, the evidence of a license is given little weight.

We turn next to the issue of long felt need. Establishing a long felt need requires objective evidence that an art recognized problem existed in the art for a long period of time without solution. Thus, the need must have been a persistent one that was recognized by those of ordinary skill in the art. See In re Gershon, 372 F.2d 535, 539, 152 USPQ 602, 605 (CCPA 1967). The Declaration does not establish that a long felt need existed since the Declaration fails to provide any evidence that an art recognized problem existed in the art for a long period of time without solution. We are unpersuaded by appellant's assertion Declaration(¶ 3) that "[a] scattered and un-harmonized used and collectable goods industry has existed for many, many years." As evidence of this, appellant relies upon Exhibit A at page 1 which demonstrates that the need to buy and sell collections of used goods and collectibles, and that an organization dedicated to selling these goods has existed for over 200 years.

From our review of Exhibit A, we find that the fact that Christie's Auction House has been selling goods for over 232 years does not provide evidence of a scattered and un-harmonized

industry, but rather suggests that the industry was robust, in order for the Company to have existed for such a long period of time. With respect to appellant's assertion, Declaration (§ 4) that the prior art market was created by a scatter shot presentation of shows, auctions, etc., we do not find any evidence in any of Exhibits A-C, referred to by appellant, to support the assertion that the presentation of shows, auctions, etc. was "scatter shot." Nor are we persuaded by appellant's assertion (id.) that the fact that the antique market is "very fragmented" is evidence of long felt need in the art. Exhibit B, referred to by appellant, is actually referring to the difficulty in trying to place a value on the entire antique or collectible industry, due to the fact that there are so many things that could or could not be classified as antique or collectible. Even with electronic market systems, the same issue exists that there are so many things that could or could not be classified as antique or collectible that it is unclear as to how a dollar value could accurately be placed on the industry. We are not persuaded by appellant's assertion (Declaration, § 5) that the Sotheby's Price Guide (Exhibit D) is evidence of "the prior arts fractious and static nature" as the Price Guide simply provides prices for various antiques such as pocket watches and bracelets.

In addition, we do not agree with appellant's assertion (Declaration, ¶ 10) that the fact that Christie's Auction House has an Appraisal Service is evidence of an "extremely long felt need indeed." Although we agree that one selling an estate will endeavor to obtain as close to the market value as possible for their goods, we find no evidence of any recognition of an art recognized problem that persisted for a long period of time without solution. Appellant asserts (Declaration, ¶s 15-17) to the effect that the nexus of the claimed invention to the long felt need is the electronic settlement that allows participants to speculate on used and collectible goods without taking physical possession of their goods themselves, which addresses the liquidation needs of the collector as well as the speculation needs of the professional intermediary dealers. However, for the reasons discussed, supra, we find that appellant has failed to establish a long felt need for the invention. Although electronic markets for used goods and collectibles, such as eBay have experienced commercial success, appellant has not established that there was an art recognized problem that existed in the art for a long period of time without solution. See In re Gershon, 372 F.2d 535, 538, 152 USPQ 602, 605 (CCPA 1967).

Appellant further argues (Supplemental Declaration, ¶5) that

the signing up of 1500 dealers for Sotheby's Online Market with 30 days of Sotheby's's announcement of their electronic market is evidence of long-felt need in the art. We find that there can be many factors that would cause a large number of dealers to sign up with Sotheby's in a short period of time, including Sotheby's's reputation as an auction house, and the fact that the creation of the Internet has created a new market for used and collectible goods that did not previously exist. In addition, appellant has not shown that Sotheby's was using appellant's invention, or that the 1500 dealers signed up because appellant's invention was being used. From all of the above, we find that appellant has failed to establish long felt need in the art. Accordingly, the evidence provided as to long felt need has been accorded little weight.

We agree with the examiner (answer, page 14) that "no art recognized problem is articulated by this document, it merely comments on the launch of Sotheby's on-line auction without indicating the this is a solution to a long-felt need. Further, there is no showing that any success of Sotheby's in this regard is due to the merits of the claimed invention in solving any problem that might exist. Success by Sotheby's can be attributable to Sotheby's reputation and skill in handling

conventional auctions and their existing connections with professionals in this industry, factors that have no bearing on whether the system of Sotheby's solves some unmentioned long-felt need. As stated above, part of proving long-felt need is that "the invention" must in fact satisfy the need. As Sotheby's has not been shown to incorporate the claimed invention and as no evidence has been provided that the art recognized a persistent problem over a long period of time, it cannot be said that the success of Sotheby's is germane to the instant application. Balancing the arguments presented and the evidence of secondary considerations against the prima facie case presented by the examiner, in view of all of the evidence before us, we find that the evidence presented is insufficient to overcome the prima facie case of obviousness set forth by the examiner. Accordingly, the rejection of claim 6 under 35 U.S.C. § 103(a) is affirmed. As claims 13-15 fall with claim 6 (brief, page 10), the rejection of claims 13-15 is affirmed.

We turn next to claim 7. Appellant asserts (brief, page 25) that neither Lindsey nor Lalonde teaches creating accounts or debiting accounts. From our review of Lindsey, we find that Lindsey discloses (col. 6, lines 65-68) implementing the use of electronic fund transfer, and the use of "drafts and wire

transfers of funds prior to title transfer" (col. 31, lines 39 and 40). From these teachings of Lindsey, we agree with the examiner (answer, page 22) that "[t]hose of ordinary skill in the art would have readily appreciated that electronic funds transfer in a trading system requires both the buyers and sellers have accounts and that the buyer's account be debited for the purchase made." We find this to be supported by the disclosure in Lindsey that "in the event electronic funds transfer is implemented into the system 8, other files and databases can be added for carrying out such enhanced activity." Accordingly, the rejection of claim 7 is affirmed.

We turn next to claim 8. Appellant asserts (brief, page 26) that claim 8 recites "creating an option to buy or sell goods at some future date at a specific quantity and price; and selling said option to a participant." The examiner takes Official notice (answer, pages 22 and 23) that creating and selling options is old and well known. We find that although not brought to our attention by either the examiner or appellant, Lindsey discloses (col. 38, lines 45-48) a marketing alternative allowing producers to purchase cotton options; i.e., puts or calls, as hedges to their actual cotton production. From the disclosure of Lindsey allowing the marketing alternative of purchasing options,

we find that Lindsey suggests the limitations of claim 8. Accordingly, the rejection of claim 8 under 35 U.S.C. § 103(a) is affirmed.

We turn next to claim 9. Appellant asserts (brief, page 26) that claim 9 recites "pooling the assets of a legal owner of a plurality of collectible goods; and selling shares in said pool of assets from said step of pooling to a participant," and argues that this limitation is not taught or suggested by the prior art. The examiner takes Official notice that pooling assets and selling shares is well known in the art. Although not brought to our attention by either the examiner or appellant, we find that Lindsey discloses (col. 29, lines 51-57) that "[b]y the 1960's, PCCA was handling over 90 percent of its members' cotton. In other parts of the country, pools were used to collectively market cotton. In a pool, the grower signs a contract and the title to his cotton passes to the pool. When the cotton is later sold, the grower receives the average price for that type of cotton, thus the grower assumes the market risk." From the disclosure of Lindsey of participants pooling assets to collectively market cotton and subsequently receiving a proportionate payment reflecting the average price for their share of the pooled merchandise, we find that Lindsey suggests

the limitations of claim 9. Accordingly, the rejection of claim 9 under 35 U.S.C. § 103(a) is affirmed.

We turn next to claim 10. Claim 10 recites similar language as claim 8 with respect to creating options. We will sustain the rejection of claim 10 for the same reasons applied, supra, with respect to claim 8. Accordingly, the rejection of claim 10 is affirmed.

We turn next to claim 11. Claim 11 recites "electronically presenting a good from a first computerized market to a second computerized market for goods by transferring said data record created in said step of posting a good for sale from said first computerized market to said second computerized market."

Appellant asserts (brief, page 27) that there is no teaching in Lindsey or Lalonde for a first computerized market or for creating a second market. The examiner's position (answer, page 23) is that the creation of a second market is a duplication of the of the system of Lindsey. Lindsey is directed to a computerized trading system (col. 2, line 18). In addition, we find that Lindsey discloses that the mainframe computer 10 is connected by a network 12 to remotely located gins and warehouses (col. 3, lines 45-47), and that mainframe computer 12 is also connected through the same or other types of networks to

commodity buyer terminals (col. 3, lines 50-53). Buyers can communicate with the mainframe through radio, satellite or other types of networks (col. 4, lines 36-39). In addition, the system operates across 11,000 miles of telephone lines (col. 35, line 55). From the disclosure of Lindsey that the system extends to many gins and warehouses across different networks, we find that the trading of goods across different gins and warehouses can be considered to be the transfer of data records from one market to another in the step of posting the goods for sale in another computerized market. Accordingly, we find that Lindsey suggests the limitations of claim 11. The rejection of claim 11 under 35 U.S.C. § 103(a) is therefore affirmed.

We turn next to claim 12. Claim 12 recites "automatically paying a commission to said computerized market from said transfer of ownership of said good by said computerized market deducting said commission from said purchase price paid to said seller." Appellant asserts (brief, page 28) that Lindsey and Lalonde are silent with regard to commissions from the sale of goods. The examiner (answer, pages 23 and 24) takes Official notice that commission for selling an item is old and well known. Although not brought to our attention by either the examiner or appellant, we find that Lindsey discloses (col. 28, lines 52-55)

that "[e]very TELCOT transaction generates a commission for PCCA. On a typical day, TELCOT processed approximately 115,000 on-line transactions." From the disclosure of Lindsey that every transaction generates a commission, we find that the computerized trading system will inherently deduct the commission from the funds due to the seller. Accordingly, the rejection of claim 12 under 35 U.S.C. § 103(a) is affirmed.

We turn next to the rejection of claims 16 and 18-20 under 35 U.S.C. § 103(a) as unpatentable over Fujisaki in view of Lindsey. The examiner's position (answer, pages 6 and 7) is that Fujisaki discloses a system or electronic auctioning of used goods such as cars, but that Fujisaki does not specifically state that bidding is closed when no higher bids are received. The examiner asserts that such is well known in conducting an auction, and that it would have been an obvious substitution of equivalents to close the auction of Fujisaki when no higher bids are found. In addition, the examiner relies upon Lindsey for a teaching of transferring of ownership, and asserts (*id.*) that it would have been obvious to provide Fujisaki with electronic title handling as taught by Lindsey.

Appellant asserts (brief, page 28) that the claims require means for clearing a purchase request from a user terminal, and

the step of transferring ownership of the item being auctioned from the first owner to the second owner. Appellant explains (brief, pages 28 and 29) that an item is cleared by paying for the item with a credit card, and that ownership is changed by changing the ownership record in the data record. Fujisaki does not disclose transfer of ownership to the new owner after the auction. However, from the disclosure of Lindsey of incorporating electronic fund transfer into the system (col. 6, lines 65-68) and title transfer after payment is made (col. 31, line 40), we find that an artisan would have been motivated to provide the electronic auction of Fujisaki with clearing of a purchase and transfer ownership to the buyer of items at the auction. As acknowledged by appellant (brief, page 29) Lindsey transfers ownership on the data record after payment is made.

It is further argued (brief, page 30) that neither Fujisaki nor Lindsey discloses the steps of receiving bids or posting bids. From our review of Lindsey, we find that Lindsey discloses the use of an auction. Specifically, Lindsey discloses allowing blind bidding on cotton for a period of 15 minutes. After the 15 minutes has passed, the computer closes the bidding and awards the cotton to the highest bidder, provided the price is equal to or above the predetermined minimum (reserve price) set by the

producer (col. 31, line 51 through col. 32, line 2). Thus, Lindsey discloses receiving bids, but does not disclose posting the bids as the auction is a blind auction. However, Fujisaki discloses both receiving and posting the bids by the least most significant front computers; see (col. 7, lines 24-28) which recite that "[i]n the performance of the auction operation, a POS bid-up signal is input at the same time as the start of bidding, and the price is bid-up at predetermined increments of e.g. 3000 yen (approximately 20 dollars) whenever a POS bid-up signal is input."

From the disclosure of Fujisaki of receiving bid-up signals from the dealer terminals and incrementing the price in approximately 20 dollar intervals, we find that Fujisaki meets the limitations of receiving and posting bids. We are not persuaded by appellant's assertion (brief, page 31) that there is no trading in Lindsey. We find that Lindsey discloses (col. 2, line 18) "a computerized trading system." Nor are we persuaded by appellant's argument (brief, page 31) that the combination of Fujisaki and Lindsey creates a per se illegal system because title to cars is state regulated, and generating a car title would be the crime of forgery under state law. Firstly, we note that Fujisaki is not limited to the auctioning of automobiles.

Fujisaki states (col. 14, lines 43-46) that "[t]hough the above-described embodiment relates to an auction of used cars, the auction information transmission processing system is not limited to used cars but can be applied to the auctioning of various articles." Secondly, Lindsey states (col. 1, lines 29-34) that "[o]ther types of goods such as grain, are similarly represented by warehouse receipts, or other evidences of title. As other examples, many types of personal property, such as automobiles, are bought and sold using a documentary type of title."

From these teachings of the prior art, we find that Lindsey suggests use of his trading system for the trading of automobiles, and that while Fujisaki refers to automobiles in an exemplary fashion, Fujisaki's system can be applied to the auctioning of various articles. From all of the above, we find that the examiner has established a prima facie case of obviousness of claims 16 and 18-20 has not been successfully been rebutted by appellant. Accordingly, the rejection of claims 16 and 18-20 under 35 U.S.C. § 103(a) is affirmed.

We turn next to claims 21 and 26-28, rejected under 35 U.S.C. § 103(a) as unpatentable over Lindsey in view of Lalonde. Appellant asserts (brief, page 31) that for the reasons given above with respect of claim 6, neither Lalonde nor Lindsey

disclose an electronic marketing system or a market maker computer. We make reference to our findings, supra, with respect to the teachings and suggestions of Lindsey and Lalonde as applied to claim 6, and find for the same reasons that Lindsey and Lalonde disclose an electronic market and a market maker computer. With respect to appellant's assertion (brief, page 32) that the invention allows participants to speculate on the price of used and collectible goods in an electronic market place and is directed to used and collectible goods, we find that Lindsey suggests allowing participants to speculate on the trading of used and collectible goods, based upon our findings, supra, with respect to claim 6. We are not persuaded by appellant's assertion (id.) that Lindsey does not teach or suggest a plurality of terminals for displaying a record, but rather describes a single participant terminal for displaying a single record of a good. It is argued (id.) that "[i]t is not contemplated in Lindsey's computer system that more than one participant buyer would have the opportunity to see the data record of a good since the seller would only give the sale number to the lone buyer with whom the seller has struck the deal." We find that Lindsey discloses (col. 3, lines 50-53) that the mainframe computer 10 is connected through networks 18 to

commodity buyer terminals 18. The buyer terminals are computers which communicate with computer 10 through radio, satellite, or other types of terminals (col. 4, lines 36-40). All remotely located terminals can communicate with mainframe computer 10 (col. 4, lines 24-28). The system handles 115,000 to 240,000 computer transactions per day (col. 28, lines 6 and 7). Buyers scan the system for lots offered by producers, make competitive blind bids, buy at a firm asking price or enter a counter offer bid (col. 28, lines 48-51) (underlining added). In addition, the system provides an efficient and effective means of executing transactions between buyers and sellers (col. 28, lines 66-68).

Moreover, Lindsey discloses that some farmers have their own PCs to access TELCOT, while others prefer to go to the gin where public PCs are available (col. 31, lines 2-5). There are 200 gins (col. 28, line 8). At any time, there are approximately 40 buyers on the system, including buyers from Japan, South Korea, Taiwan and several European countries (col. 31, lines 10-15). From these teachings of Lindsey, we find that Lindsey discloses plural terminals that are used by multiple buyers to scan available bales and block of bales of cotton.

It is further argued (brief, page 33) that "[e]ven if one could properly combine Lindsey with Lalonde, the combination

neither teaches nor suggests a system that effectuates instructions for selecting and receiving payment instructions." From our findings, supra, that Lindsey discloses incorporating the use of electronic fund transfer into the system, and wire transfers prior to title transfer (col. 31, lines 39-42), we find that Lindsey suggests providing the system with the ability to receive and process payments from buyers of goods. It is further argued (brief, page 34) that Lindsey is directed to the provision of security in the title transfer of items having bearer documents and specifically does not provide security against fraud in the marketing of goods.

Lindsey discloses that commodities can be collectively traded together and represented by a single document that evidences title to the entire group (col. 1, lines 35-38). However, the title is susceptible to loss, damage or theft (col. 1, lines 39-42). In addition, the title documents can be modified or forged, or illegal titles can be generated (col. 2, lines 1 and 2). By replacing paper titles with electronic titles, although Lindsey provides security in the title transfer of items having bearer document, we find that Lindsey also provides security against fraud in the marketing of goods, because the titles represent goods.

It is further argued (brief, page 34) that Lindsey does not teach or suggest that buyers and sellers would need to search posted goods to match buyers and sellers. We note that claim 21 recites that participant terminals access the computer to effect instructions for selecting and receiving payment instructions for purchasing goods. In Lindsey, buyers scan the system for lots offered by producers (col. 28, lines 48 and 49), and information is input into a buyer's terminal which is indicative of a desire to look for bales available for sale (col. 22, lines 22-27). In any event, we find that Lindsey further discloses (col. 30, lines 36-42) that historically, if a farmer wanted a price for his crop, the gin clerk would call two or three buyers and after describing the crop, ask for bids. Calls were often repeated several times before the producer agreed to sell. From the disclosure of Lindsey, we find that buyers scan the system for items to purchase, and we find a suggestion that purchases can be paid for electronically. From all of the above, we find that the prior art suggests the language of claims 21 and 26-28. Accordingly, the rejection of claims 21 and 26-28 under 35 U.S.C. § 103(a) is affirmed.

We turn next to the rejection of claims 22 and 23. Claims 22 and 23 recite a digital image capture device, such as a

digital camera. The examiner's position (answer, page 29) is that it would have been obvious to employ digital image capture devices considering the readily apparent benefits of images in sales. Appellant asserts (brief, page 25) that Lindsey would not benefit from a digital image capture device such as a camera because there would be no benefit in having digital images of any of Lindsey's goods such as cotton, grain, lumber, and the like on a computer system. From our review of Lindsey and Lalonde, we agree with the examiner that appellant's argument ignores the suggestion in Lindsey that Lindsey's system can be used with goods other than commodities. In a live auction or sale that is not electronic, prospective buyers can see the item before they buy it. Because this is not available in a situation where the auction or sale is electronic, we find that an artisan would be motivated to want to see the goods before buying them. Thus, we find that an artisan would inherently be taught to provide an image capture device to create an image of the goods to be sold so that the goods can be seen by a prospective buyer before they are bought. We find support for this in Exhibit A, referred to by appellant as Christie's History, in the Declaration. The Exhibit states that a photograph of the item to be auctioned is helpful in obtaining an auction estimate or appraisal. From this

disclosure in Exhibit A of the Declaration provided by appellant, we find that an artisan would have been motivated to provide a digital camera to provide an image of the goods being sold or auctioned. Accordingly, the rejection of claims 22 and 23 under 35 U.S.C. § 103(a) is affirmed.

We turn next to the rejection of claims 24 and 25.

Appellant asserts that claim 24 recites effectuating a new sales price for the used goods and collectibles after ownership has transferred, and that claim 25 recites that the new sales price is a binding offer to sell the goods at the new sales price. We affirm the rejection of claims 24 and 25 for the reasons set forth, supra, with respect to claim 6. Accordingly, the rejection of claims 24 and 25 under 35 U.S.C. § 103(a) is affirmed.

We turn next to the rejection of claim 17 under 35 U.S.C. § 103(a) as unpatentable over Fujisaki in view of Lindsey and further in view of Barstow. The examiner's position (answer, page 8) is that Fujisaki and Lindsey fail to specifically teach the transfer of audio pointers to produce sound locally from an index of audio sound samples. To overcome this deficiency in Fujisaki and Lalonde, the examiner turns to Barstow for a teaching of using computer coded descriptions of an event using

audio codes transmitted to remote terminals to reproduce the event. The examiner adds that Barstow discloses that the event can be an auction, and teaches the advantage of using less bandwidth to broadcast the event. The examiner asserts that it would have been obvious to include the code transmission and tables used in Barstow for the advantage of using less bandwidth. appellant presents no arguments regarding this rejection, but rather groups claim 17 with claims 16 and 18-20 (brief, page 10). However, although appellant has not argued the merits of this rejection, we will consider the merits of the rejection as claim 17 stands rejected under 35 U.S.C. § 103(a) under a different ground of rejection than claims 16 and 18-20.

From our review of the prior art, we agree with the examiner, for the reasons set forth in the answer, that the combined teachings of Fujisaki, Lindsey, and Barstow would have suggested to an artisan the language of claim 17. Accordingly, the rejection of claim 17 under 35 U.S.C. § 103(a) is affirmed.

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To summarize, the decision of the examiner to reject claims 16-20 under 35 U.S.C. § 112, second paragraph, is reversed. The decision of the examiner to reject claims 6-28 under 35 U.S.C. § 103(a) is affirmed.

AFFIRMED

STUART S. LEVY
Administrative Patent Judge

SSL/kis

Appeal No. 2000-1192
Application No. 08/427,820

Page 41

FISH & RICHARDSON, P.C.
601 THIRTEENTH STREET, N.W.
WASHINGTON, DC 20005




Exhibit T

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014



UNITED STATES DEPARTMENT OF COMMERCE
Patent and Trademark Office
Address: COMMISSIONER OF PATENTS AND TRADEMARKS
Washington, D.C. 20231

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.
09/166,779	10/06/98	WOOLSTON	T 52811.000004

FISH & RICHARDSON P.C.
601 THIRTEENTH STREET, NW
WASHINGTON DC 20005

LMC1/0705

EXAMINER

SMITH, D

ART UNIT

PAPER NUMBER

2763

DATE MAILED: 07/05/00

Please find below and/or attached an Office communication concerning this application or proceeding.

Commissioner of Patents and Trademarks

Serial Number: 09/166,779

2

Art Unit: 2763

Part III DETAILED ACTION

0. The election without traverse of Group I is acknowledged. Claims 56-66 are withdrawn.
Information Disclosure Statement

1. The prior art submitted on 05/01/00 has been considered as indicated on the enclosed copies of form PTO-1449

Claim Objections

2. Claim 39 is objected to because of the following informalities: Claim 39 depends on itself. Appropriate correction is required.

Claim Rejections - 35 USC § 112, 2nd

3. Claims 12, 30 and 34 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

As to claims 12 and 34, exactly what is the structure feature "blocking acceptance" referring to? The specification is silent on its precise definition.

As to claim 30, the term "rejection by said seller of said binding counteroffer by said at least one seller by said seller inputting a second binding offer to sell said item which contains a second binding sell at price from said seller" is confusing. Exactly what is the term referring to and what is Applicant seeking to claim in this claim? The specification is silent on its precise definition.

Claim Rejections - 35 USC § 103

4. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

- B 5. Claims 11,³⁰13, 14, 16, 17, 19-~~23~~³⁴, 24-26,³⁰31, 32,³⁴35, 36-42, 44-55, 67-80 are rejected
under 35 U.S.C. 103(a) as being unpatentable over Nahan et al (5,664,111) in view of "Save the Earth Foundation: Internet Online Rock and Roll Art Auction Celebrating Earth Day is Declared Open to the World for One Month ("Save the Earth").

As to claim 11, 13, 14, 16, 21, 24, 31, 35, 36-38, 40-42, 44-51, 53, 54, 67-72, 75-80,

Nahan discloses

a plurality of electronic images of works of art which are for sale are created by at least one listing dealer and stored on the storage equipment associated with the main computer (see abstract lines 4-7);

a system that provides member dealers access to an extensive and diverse collection of artwork . . . , offering member dealers the opportunity to sell their inventory throughout the world.

It enables artists to offer their work for sale directly through any member dealer (see col. 2, lines 50-58);

a transparency of the artwork is scanned and indexed with information about the artist, the artwork and keywords describing the work (see col. 6, lines 49-51);

if the buyer knows the title of a work he wants to buy, that can be input via the screen (see col. 8, lines 1-3); if the buyer is interested in the works of a particular artist, that too can be input via the screen (see col. 8, lines 26-28);

an order acceptance notification is electronically conveyed to the buying dealer as well as an inquiry as to any change in the buyer dealer's default shipping instructions . . . the system requests that the buying dealer wire transfer funds to pay for the purchased work. At this time, the listing dealer can issue modified wire transfer instructions such as name and address of bank to receive funds (see col. 13, lines 55-66);

a client can reserve one or more selected works for a period of time (see col. 11, lines 37-41);

if the customer decides to make the purchase, notification is instantly sent throughout the global network and that particular work is no longer available for sale (see col. 3, lines 57-59);

new client information can be entered at virtually any time during use of the system. After the new client option is selected, the user can enter detailed client information any time he/she wishes (see col. 12, lines 6-10).

Nahan et al is vague in disclosing the limitation of "accepting said binding counteroffer from said at least one buyer by said seller" Although not specifically taught in Nahan et al, a transactional system that consists of an auction by nature receives bids from buyers. The bids will

consist of offers for a certain price and another bid from another perspective buyer will consist of a counteroffer and will end at some point in time to award the item for sale to the highest bidder. However, Save the Earth discloses participants are able to receive bids on items over the Internet (see paragraph 5, lines 1-3); items for auction are presented via the world wide web (see paragraph 3 and 4). Thus, it would have been obvious to one having ordinary skill in the art at the time of the invention to have implemented the transaction system of Nahan et al into an auction mode in order to provide an offer and counteroffer from perspective buyers in an auction system for the collective artwork of Nahan et al because Save the Earth provides a well-established means of bidding for items in an auction mode.

As to claims 17, 19, 22 and 23, Nahan et al discloses an order acceptance is conveyed to the buying dealer as well as an inquiry as to any change in the buying dealer's default shipping instructions . . . The system will electronically acknowledge receipt of the modification with a wire transfer change notice to the listing dealer (the buying dealer can also effect changes in the wire transfer instructions for the source of money in the same manner). The transfer is preferably made to an escrow account maintained by the system purveyor (see col. 13, lines 56-67 to col. 14, lines 1-5).

As to claim 20, Nahan et al discloses property selection means, associated with each of the intelligent terminals for randomly, generally or specifically selecting one or more pieces of

property for review; and property purchase means for automatically generating forms and instructions for the complete payment and transfer of title of selected property (see col. 19, lines 61-67).

As to claims 25 and 26, Nahan et al is vague in disclosing the limitation of "accepting said binding counteroffer from said at least one buyer by said seller" Although not specifically taught in Nahan et al, a transactional system that consists of an auction by nature receive bids from buyers. The bids will consist of offers for a certain price and another bid from another perspective buyer will consist of a counteroffer and will end at some point in time to award the item for sale to the highest bidder. However, Save the Earth discloses participants are able to receive bids on items over the Internet (see paragraph 5, lines 1-3). Thus, it would have been obvious to one having ordinary skill in the art at the time of the invention to have implemented the transaction system of Nahan et al into an auction mode in order to provide an offer and counteroffer from perspective buyers in an auction system of the collective artwork because Save the Earth provides a well-established means of bidding for items in an auction mode.

As to claims 32 and 52, Nahan et al discloses by clicking on the Price button, the display shows the suggested retail price (see col. 13, lines 13-14); the dealer transmits data about the various works and their corresponding artists entering the information into a standard form . . . if

the listing dealer wishes to change any of his listing data, he makes the changes and then sends them electronically to the host computer . . . (see col 13, lines 13-53).

As to claim 74, Nahan et al discloses a History button that displays a price history of the displayed work . . . information about the prices paid for the work and/or other works of the same artist (see col. 13, lines 3-12).

Claim Rejections - 35 USC § 103

6. Claims 15, 18, 27-29, and 33 are rejected under 35 U.S.C. 103(a) as being unpatentable over Nahan et al in view of Save the Earth as applied to claims 11, 24, and 31 above, and further in view of Official Notice.

As to claims 15, 18, 27-29, 33, Nahan et al discloses a delisting fee charge that the system automatically generates the necessary paperwork (see col. 15, lines 37-38); the listing dealer has significant advantages when he can sell artwork from his own inventory to a customer (e.g., higher profit margin) (see col. 15, lines 44-47); Official Notice is taken that the payment information identifies credit card payment information. Although not specifically taught in Nahan et al, determining and designating a payment method in transactions or auctions is generally recognized as routine knowledge among skilled artisans within the transactional art. When processing a transaction via credit card, a central clearinghouse determines the status of an account identified by the particular card holder. Similarly, when processing a transaction via

transfer of money, the other bank is called upon for a transfer to the account of the payee. This interbank transfer operation may run through a central clearing house to verify if the account contains sufficient funds to cover the transaction.

Thus it would have been obvious to one skilled in the art at the time of the invention to incorporate processing the payment information in the form of a credit card payment in order to provide an efficient means of verifying the payment of the buyer and to enable authorization from a bank or clearing house to transfer funds for payment.

7. Claim 43 is rejected under 35 U.S.C. 103(a) as being unpatentable over Nahan et al in view of Save the Earth as applied to claim 40 above, and further in view of Computer Museum Holds An Internet Auction ("Computer Museum").

As to claim 43, Nahan et al is vague in disclosing the limitation of "a notification interface program to provide electronic mail notification of said counteroffer to said participant associated with said offer." Although not specifically taught in Nahan et al, all auctions by nature must end at some time to award an item to the highest bidder and the award to the highest bidder would include some form of notification.

However, Computer Museum discloses an Internet auction wherein participants were notified by e-mail as to whether their bids were accepted and further were notified after the auction had been terminated (see paragraphs 9 and 10). It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated this teaching

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of termination and notification in the transaction system of Nahan et al because Computer Museum provides a well-established means of communicating over the Internet, i.e. e-mail, in an Internet auction.

Conclusion

8. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Demetra R. Smith, whose telephone number is (703) 308-6989. The examiner can normally be reached on Tuesday-Friday from 8:00 a.m. to 5:00 p.m. EST.

If attempts to reach the examiner by phone fail, the examiner's supervisor, Kevin J. Teska, can be reached at (703) 305-9704. Additionally, the fax phone for Art Unit 2764 is (703) 308-9051 or 308-9052, (for formal communications intended for entry), or (703) 308-5397 (for informal or draft communications, please label "PROPOSED" OR "DRAFT").

Hand-delivered responses should be brought to Crystal Park II, 2121 Crystal Drive, Arlington, VA, Sixth Floor (Receptionist).

Communications via Internet e-mail regarding this application, other than those under 35 U.S.C. 132 or which otherwise require a signature, may be used by the applicant and should be addressed to [Demetra.Smith@uspto.gov].

All Internet e-mail communications will be made of record in the application file. PTO employees do not engage in Internet communications where there exists a possibility that sensitive information could be identified or exchanged unless the record includes a properly signed express waiver of the confidentiality requirement of 35 U.S.C. 122. This is more clearly set forth in the Interim Internet Usage Policy published in the Official Gazette of the Patent and Trademark on February 25, 1997 at 1195 OG 89.

Any inquiry of a general nature or relating to the status of this application should be directed to the Group receptionist at (703) 305-3900.

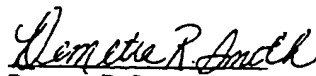

Demetra R. Smith
Patent Examiner
Group Art Unit 2764
July 3, 2000



Exhibit U

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014

Office Action Summary

Application No.

09/166,779

Applicant(s)

WOOLSTON, THOMAS G.

Examiner

Charles Kyle

Art Unit

2164

— The MAILING DATE of this communication appears on the cover sheet with the correspondence address —
 Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136 (a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 05 January 2001.
- 2a) ☒ This action is FINAL. 2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 11-12, 14-20 and 81-140 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 11-12, 14-20 and 81-140 is/are rejected.
- 7) ☒ Claim(s) 136, 137 and 140 is/are objected to.
- 8) ☐ Claims _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are objected to by the Examiner.
- 11) ☐ The proposed drawing correction filed on _____ is: a) ☐ approved b) ☐ disapproved.
- 12) ☐ The oath or declaration is objected to by the Examiner.

Priority under 35 U.S.C. § 119

- 13) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. _____.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.
- 14) ☐ Acknowledgement is made of a claim for domestic priority under 35 U.S.C. § 119(e).

ME0081150

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Attachment(s)

- 15) ☒ Notice of References Cited (PTO-892)
- 16) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 17) ☒ Information Disclosure Statement(s) (PTO-1449) Paper No(s) 18, 19.
- 18) ☐ Interview Summary (PTO-413) Paper No(s). _____
- 19) ☐ Notice of Informal Patent Application (PTO-152)
- 20) ☐ Other.

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DETAILED ACTION

Claim Objections

Claims 136, 137 and 140 are objected to as they recite a system in the preamble but recite only method steps in the claims themselves. A statement for the record as to whether the claims are apparatus claims or method claims will resolve the issue.

Claim Rejections - 35 USC § 102

The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or on an international application by another who has fulfilled the requirements of paragraphs (1), (2), and (4) of section 371(c) of this title before the invention thereof by the applicant for patent.

Claims 81, 82, 88-91, 101, 119-122, 124, 127-129, 137 and 140 are rejected under 35 U.S.C. 102(e) as being anticipated by Ginter et al.

As to Claim 81, Ginter et al disclose the invention as claimed including:

A method for using a computer system (Fig. 96, Col. 20, lines 48-66) to facilitate a transaction between a seller and at least one buyer, the method performed by the computer system comprising:

Presenting to a plurality of potential buyers (Col. 46, line 58) a binding offer to sell an item (Col. 54, line 15 to Col. 55, line 59) the presented binding offer to sell including at least a binding offer price (Col. 51, lines 7-9) (See also Col. 7, lines 14-15 and Col. 9, lines 18-20 and 27-40);

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Receiving from at least one buyer a binding acceptance of the binding offer, the received binding acceptance including payment information sufficient to authorize payment of the offer price to a third party (Col. 54, line 15 to Col. 55, line 59, particularly Col. 54, lines 39-45).

Concerning Claim 82, Ginter et al disclose payment information at Col. 59, lines 48-50 and Col. 47, lines 21-27.

Regarding Claim 88, Ginter et al disclose a third party by whom the computer system is operated at Col. 55, lines 19-45 and Col. 20. Lines 48-66.

Concerning Claim 89, Ginter et al disclose a third party independent of the seller at Col. 55, lines 33-45.

As to Claim 90, Ginter et al disclose receiving by the third party, payment from the buyer using payment information at Col. 55, lines 33-41.

Regarding Claim 91, Ginter et al discloses payment from the third party to the seller at Col. 51, lines 23-25.

Regarding Claim 101, it is inherent that the binding offer would have been received from the seller before it was forwarded to the plurality of potential buyers.

Regarding Claim 119, see the discussion of Claim 81 above and Ginter et al further disclose receiving a binding counteroffer at Col. 51, line 13-17.

Concerning Claims 120 and 121, see the discussion of Claim 119 above and Ginter et al discloses specification of an expiration date at Col. 48, line 64.

As to Claim 122, Ginter et al disclose the notification of seller by a third party of a counteroffer's existence at Col. 51, lines 13-17.

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UNDER PROTECTIVE ORDER

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Regarding Claim 124, Ginter et al disclose a third party independent of buyer and seller by whom the computer system is operated at Col. 55, lines 19-45 and Col. 20, Lines 48-66.

Concerning Claims 127 and 128, Ginter et al disclose direct payment of the counteroffer price at Col. 51, lines 1-35.

Regarding Claim 129, Ginter et al disclose indirect payment through a third party at Col. 54, lines 39-45.

As to Claim 137, It is the system form of Claim 81 and is rejected in a like manner. See also Ginter et al, Fig. 96 and related text.

Concerning Claim 140, It is the system form of Claim 119 and is rejected in a like manner.

Claims 130 and 136 are rejected under 35 U.S.C. 102(e) as being anticipated by Lawrence.

As to claim 130, Lawrence discloses the invention as claimed including a method for using a computer system to facilitate offering items for sale in an electronic commerce exchange (Abstract, Summary and Col. 6, lines 1-20), the method including:

Receiving from a seller an identifier associated with an item that the seller is offering for sale (Col. 6, lines 6-20; Col. 6, line 66 to Col. 7, line 3);

Accessing a database using the received identifier to retrieve a data record descriptive of the item (Col. 7, line 63 to Col. 8, line 7);

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Presenting to a plurality of buyers a description of the item for sale based on the retrieved data record (Col. 8, line 8-14).

As to Claim 136, it is the system form of Claim 130 and is rejected in a like manner.

Claim Rejections - 35 USC § 103

The text of those sections of Title 35, U.S. Code not included in this action can be found in a prior Office action.

Claims 11-12, 14, 16-17 and 19-20 are rejected under 35 U.S.C. 103(a) as being unpatentable over Nahan et al (5,664,111) in view of "Save the Earth Foundation: Internet Online Rock and Roll Art Auction Celebrating Earth Day is Declared Open to the World for One Month ("Save the Earth").

As to claims 11-12, 14 and 16, Nahan discloses

a plurality of electronic images of works of art which are for sale are created by at least one listing dealer and stored on the storage equipment associated with the main computer (see abstract lines 4-7);

a system that provides member dealers access to an extensive and diverse collection of artwork. . . , offering member dealers the opportunity to sell their inventory throughout the world. It enables artists to offer their work for sale directly through any member dealer (see col. 2, lines 50-58);

a transparency of the artwork is scanned and indexed with information about the artist, the artwork and keywords describing the work (see col. 6, lines 49-51);

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if the buyer knows the title of a work he wants to buy, that can be input via the screen (see col. 8, lines 1-3); if the buyer is interested in the works of a particular artist, that too can be input via the screen (see col. 8, lines 26-28);

an order acceptance notification is electronically conveyed to the buying dealer as well as an inquiry as to any change in the buyer dealer's default shipping instructions . . . the system requests that the buying dealer wire transfer funds to pay for the purchased work. At this time, the listing dealer can issue modified wire transfer instructions such as name and address of bank to receive funds... The system will electronically acknowledge receipt of the modification with a wire transfer change notice to the listing dealer 528. (The buying dealer can also effect changes in the wire transfer instructions for the source of money in the same manner.) The transfer is preferably made to an escrow account maintained by the system purveyor. (see col. 13, line 55 to col. 14, line 5);

a client can reserve one or more selected works for a period of time (see col. 11, lines 37-41);

if the customer decides to make the purchase, notification is instantly sent throughout the global network and that particular work is no longer available for sale (see col. 3, lines 57-59);

new client information can be entered at virtually any time during use of the system. After the new client option is selected, the user can enter detailed client information any time he/she wishes (see col. 12, lines 6-10).

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Nahan et al is vague in disclosing the limitation of "accepting said binding counteroffer from said at least one buyer by said seller" Although not specifically taught in Nahan et al, a transactional system that consists of an auction by nature receive bids from buyers. The bids will consist of offers for a certain price and another bid from another perspective buyer will consist of a counteroffer and will end at some point in time to award the item for sale to the highest bidder. However, Save the Earth discloses participants are able to receive bids on items over the Internet (see paragraph 5, lines 1-3); Items for auction are presented via the world wide web (see paragraph 3 and 4). Thus, it would have been obvious to one having ordinary skill in the art at the time of the invention to have implemented the transaction system of Nahan et al into an auction mode in order to provide an offer and counteroffer from perspective buyers in an auction system for the collective artwork of Nahan et al because Save the Earth provides a well established means of bidding for items in an auction mode.

As to claims 17 and 19, Nahan et al discloses an order acceptance is conveyed to the buying dealer as well as an inquiry as to any change in the buying dealer's default shipping instructions . . . The system will electronically acknowledge receipt of the modification with a wire transfer change notice to the listing dealer (the buying dealer can also effect changes in the wire transfer instructions for the source of money in the same manner). The transfer is preferably made to an escrow account maintained by the system purveyor (see col. 13, lines 56-67 to col. 14, lines 1-5).

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As to claim 20, Nahan et al discloses property selection means, associated with each of the intelligent terminals for randomly, generally or specifically selecting one or more pieces of property for review, and property purchase means for automatically generating forms and instructions for the complete payment and transfer of title of selected property (see col. 19, lines 61-67).

Claims 15 and 18 are rejected under 35 U.S.C. 103(a) as being unpatentable over Nahan et al in view of Save the Earth as applied to claim 11 above, and further in view of Official Notice.

As to claims 15 and 18, Nahan et al discloses a delisting fee charge that the system automatically generates the necessary paperwork (see col. 15, lines 37-38); the listing dealer has significant advantages when he can sell artwork from his own inventory to a customer (e.g., higher profit margin) (see col. 15, lines 44-47); Official Notice is taken that the payment information identifies credit card payment information. Although not specifically taught in Nahan et al, determining and designating a payment method in transactions or auctions is generally recognized as routine knowledge among skilled artisans within the transactional art. When processing a transaction via credit card, a central clearinghouse determines the status of an account identified by the particular cardholder. Similarly, when processing a transaction via transfer of money, the other bank is called upon for a transfer to the account of the payee. This interbank transfer operation may run through a central clearing house to verify if the account contains sufficient funds to cover the transaction. Thus, it would have been obvious to

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one skilled in the art at the time of the invention to incorporate processing the payment information in the form of a credit card payment in order to provide an efficient means of verifying the payment of the buyer and to enable authorization from a bank or clearing house to transfer funds for payment.

Claim 83, 93-99, 100, 108-110, 116-118, 123, 125-126, and 138-139 are rejected under 35 U.S.C. 103(a) as being unpatentable over Ginter et al.

As to Claim 83, see the discussion of Claim 82 above and it would further have been obvious to have provided authorization to debit an account through the use of an account identifier because this would have uniquely identified the account to be used for payment.

As to Claim 93, see the discussion of Claim 81 above and Ginter et al further disclose maintenance of confidential information in their system. They discuss the requirement for confidential treatment of information at such cites as Col. 46, lines 49-52, Col. 53, lines 45-55 and Col. 7, lines 58-67. It would have been obvious to one of ordinary skill in the art at the time of the invention to have to have included the maintenance of confidence disclosed by Ginter et al to maintain confidential payment information because this would have given buyers assurance that their payment information would not have been stolen and misused. A major concern with electronic payments has always been security, and assuring a buyer that his or her account numbers would not be stolen would have been critical to user acceptance of them.

As to Claims 94-99 and 116, see the discussion of Claim 118 below.

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Concerning Claims 96 and 100, Ginter et al disclose an auction in their method at Col. 43, lines 28-29.

As to Claim 108, see the discussion of Claim 81 above and Ginter et al further disclose maintenance of confidential information in their system. They discuss the requirement for confidential treatment of information at such cites as Col. 46, lines 49-52, Col. 53, lines 45-55 and Col. 7, lines 58-67. It would have been obvious to one of ordinary skill in the art at the time of the invention to have to have included the maintenance of confidence disclosed by Ginter et al to maintain confidential payment information because this would have given buyers assurance that their payment information would not have been stolen and misused. A major concern with electronic payments has always been security, and assuring a buyer that his or her account numbers would not be stolen would have been critical to user acceptance of the method.

Concerning Claim 109, see the discussion of Claim 108 above, and Ginter et al further disclose a third party as a trusted intermediary at Col. 22, line 49 to Col. 23, line 6.

As to Claim 110, Ginter et al teach a third party independent of the buyer and seller at Col. 9, lines 16-18.

Regarding Claim 117, it is inherent that the binding offer would have been received from the seller before it was forwarded to the plurality of potential buyers.

Concerning Claim 118, it would have been obvious to one of ordinary skill in the art at the time of the invention to have allowed the buyer to post the item for re-sale or

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auction without taking delivery of the item for several reasons. First, this would have allowed buyers to speculate, by purchasing an item in the hope for a rapid and profitable resale at a higher new price. Second, if a buyer intended such a re-sale, it would have been counterintuitive to have made him pay for shipping to his residence only to have shipped the item again on re-sale. Finally, the third party need not have stood any loss, for warehousing expense could be built into fees. For these reasons, allowing the buyer to re-post for resale or auction without taking delivery of the item would have been obvious.

As to Claim 123, it would have been obvious to one of ordinary skill in the art at the time of the invention to have allowed the seller to accept or reject a binding counteroffer, because the original offer would have been declined and it would only have been fair for the seller to have a choice to accept or reject new conditions.

Concerning Claim 125, see the discussion of Claim 109 above.

As to Claim 126, see the discussions of Claims 108 and 124.

Concerning Claim 138, see the discussions of Claims 108 and 137 above.

Regarding Claim 139, see the discussions of Claims 137 and 118 above.

Claims 84-87, 92 and 111-115 is rejected under 35 U.S.C. 103(a) as being unpatentable over Ginter et al in view of Sold, *The Professional's Guide to Real Estate Auctions*, hereinafter Sold.

Concerning Claim 84, Ginter et al teaches the invention substantially as claimed. See the discussion of Claim 81 above. Ginter et al do not disclose payment of a

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transaction fee to a third party. Sold discloses a third party transaction fee at pages 247-248. It would have been obvious to one of ordinary skill in the art at the time of the invention to have received payment information to enable a transaction fee to be paid to a third party because this would have made the efforts of the third party economically viable.

As to Claim 85, see the discussion of Claim 84 above and Sold further discloses a fee independent of the binding offer price at page 248, line 1-3.

Regarding Claims 86 and 87, see the discussion of Claim 84 above and Sold further discloses a fee related to the binding offer price and also a percentage of the binding offer price at page 247, last three lines of page 247.

With respect to Claim 92, see the discussion of Claim 84 above.

As to Claims 111, 112, 113, 114, and 115 see the discussions above of Claims 84, 92, 92, 85, 86, 87 above in light of the discussion of Claim 108.

Claims 102-107 are rejected under 35 U.S.C. 103(a) as being unpatentable over Ginter et al in view of Lawrence.

As to Claim 102, Ginter et al discloses the invention substantially as claimed. See the discussion of Claim 81 above. Ginter et al do not disclose in detail the receiving of information from the seller descriptive of the item. Lawrence discloses such detail at Col. 7, line 63 to Col. 8, line 7. It would have been obvious to one of ordinary skill in the art at the time of the invention to have had the seller provide information descriptive of the item before presenting the binding offer to potential buyers as

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disclosed by Lawrence in the method of Ginter et al because this would have allowed potential buyers to have considered the nature of the item before committing to its purchase.

As to Claim 103, Ginter et al discloses the invention substantially as claimed. See the discussion of Claim 81 above. Ginter et al do not disclose in detail the receiving of an identifier from the seller associated with the item. Lawrence discloses such detail at Col. 6, line 66 to Col. 7, line 14. It would have been obvious to one of ordinary skill in the art at the time of the invention to have received from the seller an identifier associated with the item before presenting the binding offer to potential buyers as disclosed by Lawrence in the method of Ginter et al because this would have allowed potential buyers to have uniquely identified the item before committing to its purchase.

As to Claim 104, see the discussion of Claim 103 above and Lawrence further discloses an index into a database to retrieve information descriptive of an item at Col. 6, line 66 to Col. 7, line 30.

Concerning Claim 105, see the discussion of Claim 103 above and Lawrence further discloses data records previously created based on prior transactions at Col. 7, lines 48-53.

Concerning Claim 106, see the discussion of Claim 103 above and Lawrence further discloses a database created by an independent entity at Col. 7, lines 21-29.

As to Claim 107, See the discussion of Claim 103 above and Lawrence further discloses third party maintenance of the database at Col. 7, lines 48-53.

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Claims 131 -135 are rejected under 35 U.S.C. 103(a) as being unpatentable over Lawrence in view of Ginter et al.

As to Claim 131, Lawrence discloses the invention substantially as claimed. See the discussion of Claim 130 above. Lawrence also discloses presenting offers to sell to a plurality of buyers (Col. 8, lines 8-11). Lawrence does not specifically disclose that the offer to sell is binding. Ginter et al disclose a binding offer to sell as set forth in the discussion of Claim 81. It would have been obvious to one of ordinary skill in the art at the time of the invention to have included the binding offer features disclosed by Ginter et al in the system of Lawrence because this would have assured traders that their trades would indeed go to completion:

As to Claim 132, see the discussion of Claim 131 above and Ginter et al further discloses receiving from at least one buyer a binding acceptance of the binding offer, the received binding acceptance including payment information sufficient to authorize payment of the offer price to a third party (Col. 54, line 15 to Col. 55, line 59, particularly Col. 54, lines 39-45).

Regarding Claim 133, see the discussions of Claims 130 and 105.

As to Claim 134, see the discussions of Claims 130 and 106.

Concerning Claim 135, see the discussions of Claims 130, 107 and 88.

Response to Arguments

Applicant's arguments filed January 5, 2001 have been fully considered but they are not persuasive. The rejections of Claims 11-12 and 14-20 are maintained.

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Applicant addresses the rejection of Claim 11 at pages 16-17 of the Amendment filed January 5, 2001. Applicant discusses the nature of the Nahan reference and at the first full paragraph of page 17 argues that the listings in Nahan's system are not binding offers. The Examiner observes that Applicant's claim language repeatedly recites the word "binding", but Applicant fails to provide specific evidence of how his invention distinguishes over the cited art of record. A thorough review of Applicant's specification reveals that the word "binding" is not present nor is any detailed description of how buyer and seller are bound in any way distinguished over the references cited; no particular legal forms or procedures are disclosed by Applicant in a process constituting a binding offer to sell, buy or counteroffer. The Examiner observes that Applicant cites page 33, lines 2-20 as support for the binding feature recited in Claim 11 and also notes that Nahan discloses analogous features in similar detail at Column 13, lines 30-55. Specifically, Nahan discloses an offer to sell (Column 13, line 30), an acceptance of the offer to sell (Column 13, line 38) and consideration (Column 13, lines 45-47), which elements constitute a complete contract for the sale of an item and can be considered equally as binding as that disclosed and claimed by Applicant.

Further, Applicant cites several features from Nahan's specification which he implies constitute only an invitation to deal. The Examiner observes that the features cited by Applicant in bolding are inherent to any sales transaction, binding or not; it is impossible to force the sale of an item which is unavailable. They constitute simple prudent processes which are also disclosed as necessary by Applicant's own specification at such points as Page 19, lines 20-22.

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As to Applicant's argument regarding Nahan's supposed failure to disclose or suggest a buyer's accepting a binding offer for sale by tendering payment, it ignores the possibility that a buyer may also be the buying dealer, a not uncommon situation in the environment of Nahan's invention. Applicant's claim language does not preclude this possibility so it does not distinguish over the Nahan reference. As well, when the dealer in Nahan tenders payment on behalf of a buyer, the payment is made in the expectation that the buyer will either reimburse the dealer or not receive the item of purchase. Thus, the buyer tenders acceptance by providing payment through the dealer. Applicant's claims recite no special features, such as a special dealer account or escrow account which might distinguish over the cited art of record.

As to Applicant's arguments regarding Claims 81, 137, 108, 118, 119, 140, 130 and 136, the claims are new to the case, recite features new to the claimed invention and have been rejected using new art. Applicant's arguments regarding these claims are therefore moot.

Conclusion

THIS ACTION IS MADE FINAL. Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire **THREE MONTHS** from the mailing date of this action. In the event a first reply is filed within **TWO MONTHS** of the mailing date of this final action and the advisory action is not mailed until after the end of the **THREE-MONTH** shortened statutory period, then the

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shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the mailing date of this final action.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Charles Kyle whose telephone number is (703) 305-4458. The examiner can normally be reached on Monday - Friday, 8:30 - 5:00.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Vincent Millin can be reached on (703) 308-1065. The fax phone numbers for the organization where this application or proceeding is assigned are (703) 308-9051 for regular communications and (703) 308-9051 for After Final communications.

Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is (703) 305-3900.

crk
crk

June 15, 2001

VINCENT MILLIN
SUPERVISORY PATENT EXAMINER
TECHNOLOGY CENTER 2100

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ME0081166

Exhibit V

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014

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Posted on Sat, Jun. 12, 2004

UBid marketing itself as legally safer than eBay

**COMPANY SIGNS DEAL WITH
MERCExchange**By Michael Bazeley
Mercury News

Hoping to gain a bigger foothold in the lucrative online auction market, auction and retail operation uBid.com is using a patent dispute to try to lure away sellers from Internet giant eBay.

The privately held Chicago company has signed a licensing deal with MercExchange -- the same company that has sued eBay for patent infringement over one of its key technologies.

By agreeing to respect the MercExchange patent -- instead of contesting it as eBay did -- uBid plans to portray itself to sellers as a safe haven from legal problems.

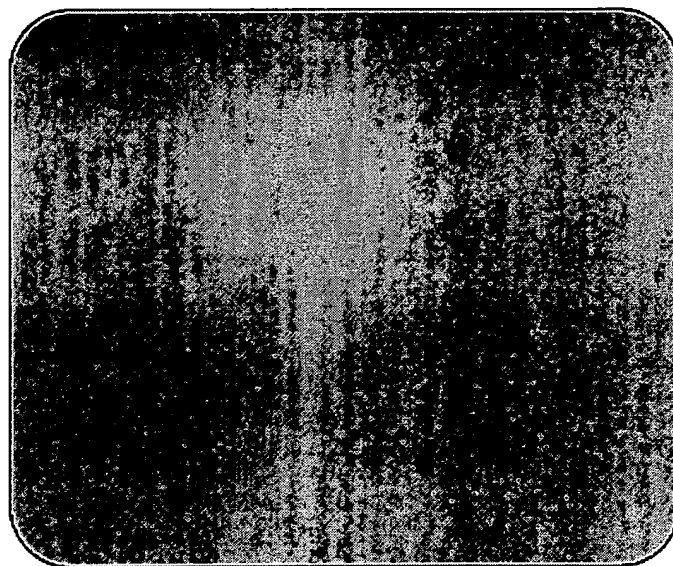
"I'm trying to wrap around that group and say, I've got the license, I've got the marketplace," said Robert Tomlinson Jr., president of uBid.

UBid is hoping the licensing deal will help it market its relatively new "certified merchants" program, which is aimed at small and medium-size businesses that want to sell their goods online.

But industry observers are skeptical the strategy will work, pointing to eBay's dominance of the auction market and uBid's stature as a second-tier competitor.

Founded in 1997, uBid was once a high-flying dot-com whose stock traded near \$100. Its profile has slipped since its heyday, and its business model and ownership have changed over the years.

But uBid has hung on, most recently with a hybrid retail-auction approach that places its business model somewhere between those of Amazon.com and eBay. The Web site primarily sells computers and electronics that are either refurbished or about to be discontinued. Unlike eBay, it does not



allow individuals to auction items on its site.

Now owned by the Petters Group, uBid does not release financial data. But Tomlinson said uBid holds ``about 4 or 5 percent'' of the online auction market. Data from comScore Media Matrix ranked uBid a distant third, behind eBay and Livedeal.com in Web-site visitors. In April, eBay had 60 million visitors to its Web site; uBid had 1.8 million.

Patent dispute

The licensing deal grew out of a patent dispute between MercExchange, owned by Virginia entrepreneur Thomas Woolston, and eBay. Woolston had filed suit against eBay, alleging that the San Jose company used technology that was covered by three of his patents.

A federal jury in Virginia sided with Woolston in 2003 and ordered eBay to pay him \$35 million in damages. The jury found that eBay violated his patent for conducting online fixed-price transactions. The so-called ``Buy it Now'' sales cover about a fourth of eBay's gross merchandise sales.

eBay is appealing the decision.

Although the courts have not yet resolved the dispute, Woolston said he wants to put merchants on notice that if they do business with eBay, they may be infringing on his patent. Woolston said his strategy is founded on an injunction he received in February 2003 against ReturnBuy, a now-defunct company that helped retailers and manufacturers sell overstock on eBay. Woolston approached uBid, which was using the fixed-price technology he says he patented, to propose a licensing deal.

Costly battle

``We decided to start our own strategy, which is to license the technology to uBid,'' Woolston said. ``We'll be going to the merchants and saying that, 'You have a patent problem.' We enjoined ReturnBuy, and we have an opportunity to go to (eBay) sellers and say that you're enjoined, too."

Faced with limited resources, Tomlinson said he had no choice but to accept a licensing agreement. A legal battle over the technology would have been too costly, he said.

Legal experts are divided over whether Woolston would be able to claim that eBay sellers were infringing on his patent. But Tomlinson said that even if eBay's sellers are not directly infringing, they could lose the ability to sell on eBay if the company is hit with a court injunction.

eBay declined to discuss the patent litigation, other than to say that it has modified its fixed-price technology so as not to infringe on Woolston's patent.

Many large manufacturers, including Nokia, Motorola and Dell, sell their products on eBay, usually through a middle company that manages the auctions and transactions on their behalf.

One of the largest intermediaries is ChannelAdvisor. Company CEO Scot Wingo said his company already holds a license to Woolston's patents and is not affected by the MercExchange dispute with eBay.

``We have a license, and eBay has changed its technology so it doesn't infringe, so I'm doubly confused by this,'' Wingo said of uBid's new strategy.

Industry observers were also skeptical.

Ina Steiner, publisher of AuctionBytes, an online newsletter, said eBay users would likely frown on any attempt to strong-arm sellers into moving to uBid.

“It sounds like an approach that will tick off people,” Steiner said.

Steiner said sellers are loyal to eBay because it is the dominant online marketplace.

“The bottom line is people sell in multiple marketplaces,” Steiner said. “If they thought uBid was the place to sell, they’d be there already.”

Internet analyst Mark Mahaney was also doubtful the strategy would work.

“It sounds like a publicity ploy to me,” said Mahaney, of American Technology Research.

Tomlinson, the former chief financial officer at Forbes.com, said his goal is simply to rebuild uBid into a stronger eBay competitor. Tomlinson is also exploring whether to team up with “auction drop” companies that help individuals sell their goods online. He said the licensing deal may help him strike new deals.

“What we want to do is get uBid back to its prime,” he said. “I want to accelerate its growth. This gives me a tremendous opportunity to promote uBid to other parties.”

Contact Michael Bazeley at mbazeley@mercurynews.com or (408) 920-5642.

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Exhibit W

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014

IN THE UNITED STATES DISTRICT COURT
IN THE EASTERN DISTRICT OF VIRGINIA
NORFOLK DIVISION

MERCEXCHANGE, L.L.C.,)

Plaintiff,)

v.)

CIVIL ACTION

NO. 2:01cv736

EBAY, INC., et al.,)

Defendant.)

TRIAL PROCEEDINGS

Norfolk, Virginia

April 24, 2003

VOLUME 2B Pages 300-428

BEFORE: THE HONORABLE JEROME B. FRIEDMAN
United States District Judge, and a Jury

1

Appearances:

2

HUNTON & WILLIAMS

3

By: GREGORY N. STILLMAN, ESQUIRE

SCOTT ROBERTSON

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Counsel for the Plaintiff

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McGUIRE WOODS, L.L.P.

By: ROBERT MCFARLAND, ESQUIRE

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COOLEY GODWARD

By: JEFFREY G. RANDALL

7

Counsel for the Defendants

8

9

I-N-D-E-X

10

WITNESSES

11

PLAINTIFF

DIRECT

CROSS

RED.

REC.

12

THOMAS GRAHAM WOOLSTON

303

360

13

14

E-X-H-I-B-I-T-S

15

ON BEHALF OF THE PLAINTIFF:

RECEIVED

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1 With respect to your claims, do you claim that you invented
2 some trusted intermediary that was not described in your
3 patent?

4 A. The claims define the invention in the suit, Mr.
5 Randall, and I invented the claims. To the extent that
6 there is a trusted intermediary element in there, then it's
7 the computer go-between, it's not the seller.

8 Q. That's really not my question. My question is,
9 with respect to your claims, is there some sort of trusted
10 intermediary that's required by those claims that is not
11 disclosed in your patent?

12 A. No.

13 Q. All right. Do you remember Mike Caputo?

14 A. Yes, sir.

15 Q. He did public relations with you, right?

16 A. Yes, sir.

17 Q. You sent him a copy of your biography on
18 January 21, 2000, right?

19 A. I don't know if that's true or not.

20 MR. RANDALL: Can you pull up DX1? Can you blow
21 up the date there?

22 BY MR. RANDALL:

23 Q. All right. This is an email apparently sent by
24 you to Mr. Caputo on January 21, 2000, and the Word
25 documents attached. Says Woolston bio doc. Do you see

1 that?

2 A. Yes.

3 Q. You sent that to Mr. Caputo on or about that day,
4 correct?

5 A. It appears that way, yes.

6 Q. And the bio that's attached is something you
7 wrote, right?

8 A. I don't know.

9 Q. Well, do you remember sending this to him in
10 January of 2000?

11 A. I probably did.

12 Q. And he did public relations work for you, rights?

13 A. Yes.

14 Q. And that was about the time that you announced
15 that you had invented PriceLine, right?

16 A. We filed an interference action against PriceLine
17 in 1998. So this was way after that date.

18 MR. RANDALL: Can you open up that document?

19 BY MR. RANDALL:

20 Q. This is a bio of -- do you recognize this now? It
21 says that you enlisted in the U.S. Air Force, where in the
22 Air Force determined that you had a natural aptitude for
23 electronics. And then you mentioned the years in training
24 in the black electronic arts of the Cold War began. Do you
25 see that?

1 A. Yes.

2 Q. Is it says "Woolston took to electronics and
3 computers like a fish to water. Do you see that?

4 A. Yes.

5 Q. All that's true?

6 A. Yeah, I think so.

7 Q. Okay. You wrote that, right?

8 A. Think Caputo wrote that.

9 Q. And at leave you received it and commented on it
10 and revised it and sent it back to him, right?

11 A. Yes.

12 Q. So it was accurate as of that date, correct?

13 A. Yeah, I think so.

14 Q. All right. You wrote that you were a UNIX jock;
15 is that right?

16 A. Yes, sir.

17 Q. That means that you're a good programmer; is that
18 right?

19 A. Not necessarily. Unix is a operating system with
20 a lot of flexibility. You have to be a C programmer to get
21 Unix to really dance, as it were.

22 Q. Well, when you say you were a UNIX jock, what did
23 you mean by that?

24 A. I knew the ins and outs of Unix. I knew how to
25 write drivers. I knew how to recompile it. I knew how to

1 get it to do the things I wanted it to do.

2 Q. Okay. And while you were in school you studied
3 networks, correct?

4 A. Yeah. On the job as well.

5 Q. And while -- you also studied about the Internet
6 when you were in school, correct?

7 A. Somewhat. We had it. I didn't really study it.

8 Q. Did you also study the World Wide Web and the
9 problems people were facing on it at the time?

10 A. In 19 -- when I was in engineering school.

11 Q. Yes.

12 A. No.

13 Q. When did you first become aware of the World Wide
14 Web?

15 A. I think probably '93, '94.

16 Q. And how did you become aware of that?

17 A. Probably saw my first web browser.

18 Q. And that was in 1993 or '94?

19 A. Yeah, I believe so.

20 Q. You went to law school and you focused on
21 intellectual property, is that right?

22 A. Yes, sir.

23 Q. You concentrated your studies on patent law; is
24 that right?

25 A. Well, there's some electives you can take, but

Defendants.

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BEFORE: THE HONORABLE JEROME B. FRIEDMAN
United States District Judge, and a Jury

1 APPEARANCES:

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1 THE COURT: It hasn't been as much of a problem as,
2 frankly, going over the same thing over and over again. So
3 let's just -- if you need to look at the pretrial order, and
4 frankly, Mr. Stillman, if there is an exhibit that wasn't
5 objected to or that an objection was overruled, then it comes
6 in. We can't keep doing this.

7 MR. STILLMAN: I hear you.

8 THE COURT: Okay. All right.

9 (Court recessed at 11:35 a.m., until 11:50 a.m.)

10 (Whereupon, the jury returned to the courtroom.)

11 THE COURT: Mr. Randall.

12 MR. RANDALL: I'd like to move into evidence Defense
13 Exhibit 323, which is the Kupfer search agent article that we
14 previously discussed, and Defense Exhibit 545, which is a
15 document that we just discussed regarding the two
16 applications, the April and November application.

17 THE COURT: All right.

18 MR. RANDALL: Thank you, Your Honor.

19 (Defendants' Exhibits 323 and 545 were received.)

20 BY MR. RANDALL:

21 Q Mr. Woolston, the system that you invented was going to
22 cost a lot of money, right?

23 A Which patent are you talking about?

24 Q The '265.

25 A The cost to build?

1 Q Yes.

2 A I think it would cost a fair amount of capital to get the
3 energy and the time and resources to develop it.

4 Q And the same thing with the '176, correct?

5 A Well -- yes. The way I disclosed it, you wouldn't build
6 the '176 until you had the '265.

7 Q All right. And you were busy working at the Howrey &
8 Simon law firm at the time you came up with these inventions?

9 A Yes, among other things.

10 Q You didn't have time to sit down and write a code,
11 software code for these inventions, right?

12 A I don't know if I had the time or I didn't have the time.

13 Q All right. But you didn't do it, right?

14 A No.

15 Q Until you tried, you didn't know whether your system
16 would work as described in your patent, correct?

17 A No.

18 Q That's not correct?

19 A No, it's not correct.

20 Q You had never built -- at the time you filed your patent
21 applications, you had never built an e-commerce system before,
22 have you?

23 A I built a very sophisticated Voiceover X25 system, so I
24 was confident that this could be built.

25 Q We can move faster if you answer my question. At the

1 time you filed your applications, you had never built any
2 e-commerce system, correct?

3 A I don't really know what you mean by "e-commerce system."

4 Q All right. You had no experience in making a system to
5 post descriptions of items over the World Wide Web, correct?

6 A Well, I had experience with Voiceover X25 networks. It's
7 related technology, but it's not Web technology per se, no.

8 Q If you can just answer my question, we can move through
9 this faster. At the time you filed your applications, you
10 didn't have experience in making a system to post descriptions
11 of items for sale on the World Wide Web, right?

12 A Well, the X25 system posted descriptions of voice and it
13 did have a textual description. I think it's related. So I
14 did have some experience, yes.

15 Q You had no experience at that time making systems to
16 handle electronic payments, correct?

17 A No. I had never built an electronic payment system,
18 that's correct.

19 Q And you had no experience making a system to transfer
20 ownership of an item at the time you filed your applications,
21 correct?

22 A Let me amend my last answer. I did have a lot of
23 experience with cryptography. Cryptography, scrambling, that
24 information is part of a payment processing. I knew where to
25 get that. That was available. I'm sorry. The next question

1 was?

2 Q You had no experience at the time you filed your
3 applications making a system, building a system to transfer
4 ownership of an item, correct?

5 A All it does is modify the data record. I had a lot of
6 experience in modifying data records.

7 Q You had no experience at the time you filed your
8 applications in making a system to search for a good in a
9 plurality of databases? You never done that before, correct?

10 A I had never written those software search agents, that's
11 correct.

12 Q One of the things you did after conceiving your
13 invention, you created your own company called Fleanet; is
14 that right?

15 A Yes.

16 Q And Fleanet didn't have any employees other than
17 yourself, correct?

18 A That's correct.

19 Q And you still -- at that time, when you founded Fleanet,
20 you still had another full-time job, right, at Howrey & Simon?

21 A When?

22 Q When you founded Fleanet.

23 A I believe so, yes.

24 Q And the point of you coming up with Fleanet was to
25 implement your inventions, correct?

1 A Correct.

2 Q It was a business plan to attract capital and people and
3 build e-commerce systems, yes.

4 MR. RANDALL: Can you play clip number 175, please?

5 MR. STILLMAN: Excuse me.

6 THE COURT: Stop.

7 MR. STILLMAN: I don't think this is proper
8 cross-examination, to just start playing deposition
9 transcripts.

10 THE COURT: It isn't.

11 MR. RANDALL: Okay.

12 THE COURT: You have to some basis for doing that.
13 If he agrees, then there is no reason to do it.

14 MR. RANDALL: Okay.

15 BY MR. RANDALL:

16 Q The point of starting Fleanet was to implement your
17 inventions, correct, yes or no?

18 A Not necessarily. The point of starting Fleanet was to
19 attract capital, attract people and talent necessary to build
20 e-commerce, any e-commerce company here in Virginia.

21 MR. RANDALL: I have a straight answer on the
22 videotape. Can I just move to that?

23 MR. STILLMAN: I think you got a straight answer.

24 MR. RANDALL: He said not necessarily. I did it to
25 raise capital.

1 THE COURT: Do you have the deposition, the written
2 deposition so he could look at it before you play it on the
3 screen?

4 MR. RANDALL: Let me ask the next question.

5 THE COURT: Go ahead.

6 BY MR. RANDALL:

7 Q You wrote Fleanet business plans to implement your
8 inventions, correct?

9 A Yeah. That was one of the goals of Fleanet, was to go
10 build the inventions.

11 Q All right. That was the answer to my question. Second
12 question was you wrote Fleanet business plans to implement
13 your inventions, correct?

14 MR. STILLMAN: I think that's the same question,
15 Your Honor. He's asked and answered that question now three
16 times.

17 THE COURT: What's the difference in the question?

18 MR. RANDALL: The first question was he founded
19 Fleanet, the company. You founded that to implement your
20 inventions, and I don't know if I got a clear answer on that.

21 THE COURT: Okay.

22 MR. RANDALL: And the second question was, You wrote
23 business plans for Fleanet to implement your inventions, and I
24 still don't have an answer from that.

25 BY THE COURT:

1 Q That's why you wrote the business plans for Fleanet, to
2 implement your inventions, correct?

3 A That was one of the goals. And to explain the goals of
4 the company, to attract capital and people, yes.

5 Q You sent a letter to Basil Hosmer talking all about your
6 inventions, correct?

7 A I don't know which document you are talking about. I'm
8 pretty sure I sent it. I'm just not sure I sent that one.

9 Q Can you pull up Exhibit 352, please. Now, I'd like you
10 to look at this letter, and it's a letter on Fleanet
11 letterhead, and it's to Basil Hosmer, Jr.

12 A You are going to have to enlarge that.

13 Q The letter starts out, Please find enclosed a patent
14 filed April 24, '95 entitled consignment nodes. This letter
15 outlines a business plan to accompany the consignment node
16 invention. Do you see that?

17 A I see that.

18 Q Do you recognize this letter, sir?

19 A I recognize it came off a computer we had. I know this
20 letter was never sent because the filing date on the patent is
21 wrong.

22 Q I'm not asking you right now whether you sent the letter.
23 I'm asking do you recognize this letter?

24 A I recognize it. It is something off our server, yes.

25 Q You produced this in discovery, correct?

1 A I believe so, yes.

2 Q And you have read this letter a number of times, correct?

3 A No.

4 Q Well, you read it in your deposition a number of times,
5 correct?

6 A Yeah. Yes. I do believe you went through this letter in
7 my deposition.

8 Q And this is a business plan outline for your inventions,
9 correct?

10 A Well --

11 Q Or a draft?

12 A When you say inventions, it's kind of a little
13 misleading, Mr. Randall. This was for Fleanet. It is a
14 business plan for Fleanet. It's not even a business plan --

15 THE COURT: You need to speak up. The jury can't
16 hear you.

17 THE WITNESS: I was trying to get Basil Hosmer
18 interested in helping me.

19 MR. RANDALL: Your Honor, I move Defense
20 Exhibit 352 into evidence.

21 THE COURT: All right.

22 (Defendants' Exhibit 352 was received.)

23 BY MR. RANDALL:

24 Q Mr. Woolston, Basil Hosmer, he was a friend -- he was a
25 brother of a friend of yours; is that right?

1 A Yes. He was a brother of Andy Hosmer.

2 Q And you didn't want to mislead him, did you?

3 A I wanted to promote the company to him and get him
4 intrigued in the business concept.

5 Q Right. You wanted to write him about your inventions to
6 get him -- strike that. Why did you write this, sir?

7 A So get Basil Hosmer interested in helping the company
8 build an e-commerce company.

9 Q And you wrote this at the time you filed your -- at or
10 about the time you filed your April '95 application, correct?

11 A Probably. I'm not sure.

12 Q You are not sure. Let me refresh your recollection with
13 a testimony --

14 MR. STILLMAN: Excuse me, Judge. Why don't we just
15 move on and say -- he said probably. We'll stipulate that he
16 wrote it. It's not worth going through.

17 MR. RANDALL: Okay. That's great. I'll take that.

18 THE COURT: Second stipulation.

19 BY MR. RANDALL:

20 Q Starting in 1995, you did everything you could to start a
21 business and build the invention, right?

22 A I did everything within my powers. I don't know if it
23 was everything I could have done, but I tried, yes.

24 Q The statements you made to Mr. Hosmer in this letter,
25 they were true, correct?

1 A It was a document to get Basil interested. I haven't
2 read this document since my deposition. Yeah, I would say
3 that it's generally true about the Fleanet business.

4 Q Well, would you like me to blow this up and make sure? I
5 want to make sure there aren't any false statements that you
6 made to Mr. Hosmer about your inventions.

7 MR. STILLMAN: Excuse me. Let me object to the form
8 of the question. I don't think it's ever been established
9 that he sent the letter.

10 THE COURT: That's right.

11 MR. STILLMAN: So he didn't make the statements to
12 Mr. Hosmer.

13 THE COURT: I think you asked and he answered that
14 he didn't think he sent the letter, and that he maybe -- you
15 even used the word draft.

16 BY MR. RANDALL:

17 Q Any there false statements in this document that you
18 wrote, Mr. Woolston, about your invention?

19 A Well, what makes me sure that I did not send this letter
20 to Basil is that the filing date is wrong on the consignment
21 node.

22 Q I'm not asking you right now whether you sent the letter.
23 I'm just saying are there any statements in this letter that
24 you wrote that are false?

25 A The first line is false. That's not the date of the

1 filing date of the patent.

2 Q Is there anything else -- and I can scroll down.

3 THE COURT: You take as much time as you need to
4 read the letter, Mr. Woolston.

5 MR. STILLMAN: Excuse me, Your Honor. I think there
6 is more to this letter. It looks like there may be more, and
7 all I have is what's on the screen.

8 THE COURT: You are asking the wrong person, Mr.
9 Stillman. I don't know.

10 MR. STILLMAN: I know. But I don't usually ask --

11 THE COURT: I know.

12 MR. RANDALL: There is. But I'm waiting for the
13 witness to get done with this portion before I scroll down.

14 THE COURT: Okay.

15 MR. STILLMAN: I have the letter in front of me now,
16 Your Honor. This is a six-page letter. He's asking him an
17 open-ended question about a six-page letter and said is there
18 anything in this letter that's false. I want him to read the
19 entire letter before he answers that question.

20 THE COURT: Is it going to be an open-end question?

21 MR. RANDALL: I'll direct his attention to a few
22 paragraphs.

23 THE COURT: That's what we really need to do.

24 BY MR. RANDALL:

25 Q Let's look at the first paragraph under the heading

1 Business Plan Outline. Hear you state, The consignment node
2 is to be marketed to an owner or prospective purchaser of pawn
3 shops, used equipment stores and collectible speciality shops.
4 The consignment node will be offered for sale as a franchise.
5 No individual or business may operate a consignment node
6 without being a member of the franchise. The franchisor, the
7 Fleanet Corporation, will police the consignment node network
8 and revoke the franchise license and/or take other legal
9 enforcement measures to assure the quality and trustworthiness
10 of all consignment node operators.

11 Is that a true statement, Mr. Woolston, at the time
12 you wrote this document?

13 A I believe it was true, that this is what Fleanet was
14 going to do. It's not true that the inventions are limited to
15 pawn shops and consignment stores.

16 Q Let me direct your attention to page 3.

17 THE COURT: What portion?

18 MR. RANDALL: Where it starts with, Sixth
19 speculation with an edge.

20 THE COURT: Let him read it first.

21 MR. RANDALL: I'd like to read a portion of it into
22 the record.

23 THE COURT: Let him read it first.

24 MR. RANDALL: Okay.

25 THE WITNESS: I have read it.

1 BY MR. RANDALL:

2 Q Is that statement true, particularly with respect to the
3 fact that the consignment node marketing concept is targeted
4 to people who are interested enough in collectible goods to
5 own a collectible shop?

6 A Yeah. I thought the best initial market for the
7 invention was stores that had things to sell online. That's
8 true.

9 Q Let's go to page 2, the fourth paragraph, and
10 specifically, I'd like to direct your attention to the portion
11 of this paragraph that states, Suffice to say, this is the
12 first network offering to allow a collector to speculate on
13 the price of collectible goods in the first ever virtual
14 market, i.e., a market made by a market maker, like NASDAQ or
15 the NYSE -- which is New York Stock Exchange -- for
16 collectible goods. Do you see that?

17 A Yes.

18 Q That statement was a true statement, correct, when you
19 made it?

20 A It was making an analogue to NASDAQ -- I misspelled
21 NASDAQ -- or the New York Stock Exchange. I'm just making an
22 analogue, that this market is going to be like -- it could be
23 like a stock market for one of a kind of goods that had never
24 existed before. But technically, it really is not like the
25 New York Stock Exchange. It's just the example I gave. New

1 York Stock Exchange is run by people, not computers.

2 Q All I'm asking you, is that statement that you wrote, was
3 it true when you made it?

4 A Well, it's true to the extent I was making an analogy.
5 Not all analogies are good.

6 Q Let me direct your attention to page 3, first paragraph.

7 THE COURT: Any specific sentence?

8 BY MR. RANDALL:

9 Q Yes. Starting with, The bandwidth necessary to keep all
10 these databases reconciled may be cost prohibitive, so we
11 probably need to develop a way to lock records while a good is
12 electronically at another market and find a means for
13 reconciling the transactions through a periodic messaging
14 system. This of course may make error recovery problems if a
15 market maker node crashes a bitch. This problem needs to be
16 thought through, perhaps a combination of low bandwidth
17 messaging methodology with a running tape backup on the nodes.

18 Sir, was that statement true when you wrote it at or
19 about the time you filed your application?

20 A No. I was actually feigning difficulty to get Basil
21 interested in it. I didn't think it was going to be that
22 difficult. I was trying to get Basil interested in helping
23 me.

24 Q That was not true when you wrote it?

25 A No. I was acting a little more challenged than I

1 actually was to try to get Basil to help.

2 Q Well when you said that this problem needs to be thought
3 through, you had already thought through, you had already
4 solved the problem that you were addressing there?

5 A The software search agent solved a big piece of it, yes.

6 Q Let me direct your attention to page 3, starting with
7 paragraph -- it says, Fifth. Let me direct your attention to
8 a series of these statements. Fifth, the electronic
9 presentation of goods.

10 A I'm sorry. The fifth?

11 Q Yes. That's the paragraph I want to direct your
12 attention to. States, Fifth, the electronic presentment of
13 goods. This feature springs from the fact that the
14 consignment node network is a trusted network. Since
15 consignment nodes are franchised the franchisor, i.e.,
16 Fleanet, can police the network to assure the consignment
17 nodes are operated on a legitimate basis, i.e., the post of a
18 sale -- I'm sorry, the post of a good for sale means that it
19 is in the hands of a trusted bailee and is for a fact
20 available for delivery if a purchase is made.

21 Do you see that?

22 A Yes.

23 Q That statement was true when you made it, correct?

24 A We originally positioned Fleanet as a value added
25 proposition to small stores, saying that we were going to

1 offer you this right exclusively and that you can generate
2 revenue by being the person allowed to post into the
3 electronic market. So yes, it's true to the extent that
4 Fleanet had that original marketing goal.

5 Q Well, you started Fleanet to implement your inventions
6 and you wrote business plans to implement your inventions,
7 correct?

8 A Fleanet was a business plan to implement aspects of it,
9 yes.

10 Q Including this exhibit, correct?

11 A I don't know if I sent this, but I did write this around
12 the time frame.

13 Q And that statement I read into the record from the fifth
14 point there, that was accurate at the time you filed your
15 applications, correct?

16 A It was accurate, that this was the marketing pitch of
17 Fleanet that was going to give a value added proposition to
18 small stores, yes.

19 Q But the point I'm really looking at here, and you know we
20 talked about it in opening and so forth, is i.e., the post of
21 a sale for good -- I'm sorry, i.e., the post of a good for
22 sale means it is in the hands of a trusted bailee and is for a
23 fact available for delivery if a purchase is made. That
24 statement was true when you wrote this document, which was at
25 the time you filed your application, correct?

1 A It's just like ReturnBuy. Yes, that was the Fleanet
2 business plan goal.

3 Q So your answer to my question is yes, that's right?

4 A Yes. That was the Fleanet business plan goal.

5 Q After you tried to get Mr. Hosmer excited about your
6 inventions, you tried to get others interested in your
7 inventions, correct?

8 A Yes.

9 Q In January '96, you sent your Fleanet paper to Bob Smith
10 at MCI; is that right?

11 A I don't know. If you have a document to show me, that
12 would be helpful.

13 MR. RANDALL: Pull up D144. I never liked that
14 sound.

15 THE COURT: That's a bad sound.

16 BY MR. RANDALL:

17 Q All right. What's up on the screen, Mr. Woolston, is a
18 document that's exhibit -- Defense Exhibit 144, and it shows a
19 date of January 15, 1996, from you to Bob Smith at MCI. Do
20 you recognize that e-mail, sir?

21 A I did correspond with Bob Smith at MCI. I'm just not
22 sure of the date on this, but it's around the right time
23 frame.

24 Q All right. So in January '96 you sent your Fleanet paper
25 to Bob Smith at MCI; is that right?

1 A We had telephone calls and I believe I sent this to him.
2 I'm not sure, but yes.

3 Q Well, you state in your message to Bob Smith at MCI,
4 Thank you for making time in your busy schedule to hear about
5 Fleanet. I was very pleased to hear your insightful thoughts
6 and comments. As we discussed, I have attached a small paper
7 about Fleanet. Do you see that?

8 A Yes.

9 Q Okay. So you wrote this and you sent it to Mr. Smith at
10 MCI, correct?

11 A I believe I wrote this, and I might have had some help
12 from Herman Crank.

13 MR. RANDALL: Your Honor, I move Exhibit 144 into
14 evidence.

15 THE COURT: Okay.

16 (Defendants' Exhibit 144 was received.)

17 BY MR. RANDALL:

18 Q By that time, eBay had been running auctions on the World
19 Wide Web for several months, correct?

20 A I don't know.

21 Q You hadn't written any code for your consignment node
22 patents as of that time, correct?

23 A I don't know if I had or not. I had a rapid application
24 development platform that I was working with.

25 Q When you wrote to Mr. Smith, you indicated that you were

1 describing your patent, correct?

2 A I don't know.

3 Q Well --

4 MR. STILLMAN: I'm sorry. I just have an objection
5 as to form. I don't believe he had a patent at the time this
6 was written.

7 THE COURT: Would you rephrase your question,
8 please?

9 MR. RANDALL: Sure.

10 BY MR. RANDALL:

11 Q When you wrote Mr. Smith, you indicated that you were
12 describing your patent application, correct?

13 A Well, the remaining inventions in the patent application.
14 We didn't have a patent then. We didn't get a patent until
15 '98.

16 Q The question -- just answer my question. When you wrote
17 Mr. Smith, you indicated that you were describing your patent
18 application, correct?

19 A I don't know if I was or not.

20 Q If you look at the -- right underneath where it says,
21 Very truly yours, Thomas, it states, Attachments: Posting
22 terminal/market maker service. U. S. patent application
23 entitled: Consignment nodes. Do you see that?

24 A Yes.

25 Q Does that refresh your recollection? In fact, when you

1 wrote him, you were indicating that -- you were describing
2 your patent application.

3 MR. STILLMAN: Sorry. Could he specify as to which
4 application we are talking about?

5 THE COURT: Which?

6 MR. RANDALL: A patent application.

7 THE COURT: Just a patent application, okay.

8 BY MR. RANDALL:

9 Q A posting terminal market maker service.

10 A Can I read it?

11 THE COURT: Sure. Go ahead and read it.

12 MR. RANDALL: Your Honor, I think I can direct him
13 to specific questions.

14 THE COURT: That would be helpful.

15 MR. RANDALL: I'll withdraw that question and move
16 on.

17 THE COURT: Fine.

18 MR. RANDALL: Let me ask you. Scroll up a little
19 bit.

20 BY MR. RANDALL:

21 Q At the time you wrote this in January of '96, you only
22 had two applications that had been filed, right, the April '95
23 and November '95, correct?

24 A I don't know if I wrote the attachment in '96, but we
25 only had two patent applications on file in '96.

1 Q The April '95 application that we have been talking about
2 and the November '95 application, those were the only two
3 applications that you had on file with the Patent and
4 Trademark Office at the time you wrote this to Mr. Smith,
5 correct?

6 A I don't know about the attachments.

7 THE COURT: He's asking you about what patent
8 applications you had.

9 THE WITNESS: In 1996 there were only two patent
10 applications, the April and November.

11 BY MR. RANDALL:

12 Q That's fine. And I'll direct your attention to page 2 of
13 paragraph 2, beginning with the statement, The present
14 invention -- I'm sorry, Therefore. Start with, Therefore, the
15 Internet.

16 All right. I want to direct your attention to this
17 portion of your presentation to MCI. It says, Therefore,
18 Internet customers are required to make a huge leap of faith
19 that when they present electronic payment they are not going
20 to get ripped off. The present invention solves this problem
21 by placing a trusted intermediary, the market maker, between
22 the customer and the small business. The market maker
23 collects and/or processes payment from the Internet customer
24 and may escrow the payment until the customer receives the
25 ordered good. The customer's payment information, or even

1 identify, reside with the market maker and is never passed to
2 the small business. Do you see that?

3 A Yes.

4 Q That was true when you made it to -- the statement was
5 true when you made it to MCI; is that right?

6 A Yes. That's what I was pitching him on, yes.

7 Q That the present invention solves the problem of these
8 Internet users taking this leap of faith; is that right?

9 A Well, let's be clear. The inventions are the claims of
10 the two patents in suit. This was paraphrasing what I thought
11 was one of the more fundamental concepts, that the seller
12 doesn't get the credit card. The trusted intermediary
13 processes the payment for the seller. I think it is true. It
14 is true to this day.

15 Q Let's go to the next paragraph. Here starting with, The
16 market maker gives credibility to the small business. The
17 market maker only allows reputable dealers to post goods for
18 sale in the electronic market. The market maker polices fraud
19 and vets the dealers, e.g., only well-established dealers are
20 invited -- and that's in quotes -- to participate in creating
21 the market. Do you see that?

22 A Yes.

23 Q Those statements were true when you made them to MCI with
24 respect to your inventions, correct?

25 A Well, it's true that this is what I was pitching MCI on.

1 I mean, I thought being invited to join something made him
2 feel special. It would help the small businesses feel
3 special, that they were getting some value from MCI if MCI
4 builds the '265 system, basically.

5 Q Well, the sentence here, The market maker only allows
6 reputable dealers to post goods for sale in the electronic
7 market, that statement was true about your inventions,
8 correct?

9 A No. It's true about the pitch I made to MCI.

10 Q Directing your attention to page 3, paragraph 7. You
11 gave MCI a competitive analysis; is that right?

12 THE COURT: I can't read it.

13 THE WITNESS: I don't recall.

14 BY MR. RANDALL:

15 Q I'm directing your attention to the portion of your
16 presentation to MCI where it says competitive analysis. Do
17 you see that?

18 A Yes.

19 Q You wanted to be honest in what you said, correct?

20 A Yeah. I wanted to get a relationship with MCI. I think
21 you start relationships with honesty, yes.

22 Q You didn't want to mislead them, right?

23 A No.

24 Q You didn't want them to invest money in your company
25 based on false statements, did you?

1 A No.

2 Q And you looked around the World Wide Web before you gave
3 them this competitive analysis, didn't you?

4 A I think so.

5 Q And this was your analysis, right? You weren't just
6 guessing, were you?

7 A It was probably my best information I had available, yes.

8 Q You did your homework, right?

9 A I don't know if I did or didn't. This is probably what I
10 thought was the competitive analysis at the time --

11 Q Okay.

12 A -- the attachment was written.

13 Q And your competitive analysis states, There is no posting
14 terminal service on the market today. There is no electronic
15 market that allows speculation in collectible goods available
16 today. Do you see that?

17 A Yes.

18 Q Based on your analysis, that information was a true
19 statement, correct?

20 A Yes. Probably.

21 Q There were no posting terminal services on the market in
22 January of '96, right?

23 A Not the way I conceived to do it, no. Probably not.

24 Q All right. And, of course, eBay was on the market at
25 that time, right?

1 A I don't know that.

2 Q Well, you did this competitive analysis. You looked on
3 the Internet. You didn't --

4 A I don't think I was aware of eBay in '96. That's pretty
5 clear in my mind.

6 Q Well, if you were aware of eBay in '96, you wouldn't have
7 made that statement to MCI, that there were no posting
8 services on the market, correct?

9 A No, I probably would have, because this pitch was really
10 about having MCI provide this service to MCI customers, small
11 business customers. I think the pitch is probably true.

12 Q If were you aware of eBay at that time -- strike that.

13 You also told MCI that there is no service that
14 allows participants to speculate in electronic collectible
15 goods market, correct?

16 A That's what it says, yes.

17 Q That was a true statement, too, correct?

18 A Yeah. Based on my understanding, it was true.

19 Q You also told MCI how someone might design around your
20 patent, correct?

21 A Is it in this document somewhere?

22 Q Let's go to -- well, let me first ask you the question.
23 When you say, design around your invention or a patent, that
24 means that you would not be infringing a patent, right?

25 A Well, it would be impossible for me to really say in 1996

1 because the patent hadn't been issued.

2 Q All right. Let's look at page 4, paragraph 2. You state
3 under small business going it alone, In theory, a small
4 business could design around the claims of the consignment
5 node patent by manually entering information in a database and
6 using the server in a pure retail mode, e.g., no speculating
7 in an electronic market. Do you see that?

8 A Yes.

9 Q That was a true statement when you made it to MCI,
10 correct?

11 A I think it's true today. I think if you have a Web site
12 and you just take credit cards over your Web site, they are
13 not practicing the invention.

14 Q I'm not talking about credit cards right now. I'm
15 talking about your statement here.

16 A That's what I meant where it says server in a pure retail
17 mode.

18 Q Well, what you state is you could design around your
19 patent by manually entering information in a database and
20 using the server in a pure retail mode, e.g., no speculating
21 in an electronic market. Do you see that?

22 A Yes.

23 Q And that was true when you made it, right?

24 A Well, I don't know how it could be true because the
25 patents hadn't issued then. But I still believe the heart of

1 it, which is a Web site that just takes credit cards -- that a
2 person who has his own Web site takes credit cards over the
3 Internet does not infringe the '265 patent.

4 Q Well, what you say is if they don't do speculating.
5 Using a server in a pure retail mode, e.g., no speculating.
6 You didn't invent this pure retail mode, correct?

7 A No, I probably did not.

8 Q EBay doesn't do this speculating function of your
9 inventions, correct?

10 A Yes, they do.

11 Q They practice that?

12 A Yes, they do.

13 Q So let me ask you this. If a business does not do the
14 speculation function, they operate purely in a retail mode,
15 then your consignment node invention does not cover that,
16 right?

17 A If you have a Web site, that you take credit cards on
18 your personal Web site, you don't -- you probably don't
19 practice the claims of the '265, so you probably don't
20 infringe.

21 Q In December of '95, you sent a business plan to Paul
22 Shearman Allen, a lawyer, outlining a business plan to attract
23 a buyer or investor to your system; is that right?

24 A If you show me a document, I'll help you.

25 MR. RANDALL: Pull up D358, please.

1 BY MR. RANDALL:

2 Q This is a letter dated December 17, 1995.

3 A Is this the signed letter?

4 Q To Paul Shearman Allen.

5 A Is this the signed one? Yes.

6 Q You have seen this document before; is that right?

7 A I believe I wrote it.

8 Q All right. You wrote it and you sent it on or about
9 December 17, 1995, correct?

10 A I believe so, yes.

11 MR. RANDALL: I'll move Defense Exhibit 358 into
12 evidence, Your Honor.

13 THE COURT: Admitted.

14 (Defendants' Exhibit 358 was received.)

15 BY MR. RANDALL:

16 Q You write on the first page, You have asked me to provide
17 a business plan and outline to attract a buyer or investor of
18 the invention we previously discussed. Do you see that?

19 A Yes.

20 Q At that time, were you aware that eBay had been running
21 for months, up and running on the World Wide Web for months?

22 A I still don't know if they were up and running for months
23 at this time.

24 Q Did you want to be as honest as possible in making these
25 statements to Mr. Allen about your Fleanet inventions?

1 A I wasn't intentionally misleading him, no, but this was
2 the pitch to Mr. Allen.

3 Q All right. But you didn't want to make any untrue or
4 false statements to him, did you?

5 A No. I probably believed everything in here when I wrote
6 it.

7 Q All right. Directing your attention to paragraph 3. You
8 wrote in the middle of this paragraph, The novel solution to
9 this problem is what the patent application calls a posting
10 terminal, a market maker, and contractual relationship between
11 a posting terminal user and the market maker. Do you see
12 that?

13 A Yes.

14 Q That statement was true, correct?

15 A I believe it was correct when I made it. But again, this
16 is the patent application, not the claims. It kind of
17 actually shows me that that attachment I sent to Smith in '96
18 probably had the genesis earlier.

19 Q Directing your attention to paragraph 8, page 3.
20 Underneath competitive analysis you stated to Mr. Allen, There
21 is no posting terminal service on the market today, correct?

22 A Yes.

23 Q There is no electronic market that allows speculation in
24 collectible goods available today. Those statements were true
25 when you made them; is that right?

1 A Yes. Probably.

2 Q And that was based on your competitive analysis, correct?

3 A Yeah. Probably based on my understanding, yes.

4 Q You told Mr. Allen what a posting terminal was and how
5 much it would cost to make one, didn't you?

6 A I think this had some cost items, things to put together
7 to make it, yes.

8 Q Let's go to page 5.

9 MR. RANDALL: Can you blow up the portion where it
10 says posting terminal and all the items below it?

11 BY MR. RANDALL:

12 Q This is total cost for a posting terminal, \$209,900,
13 right, 209,900?

14 A No.

15 Q No?

16 A No. That's for the whole system. The spread sheet --
17 the total is at the bottom.

18 Q How about the posting? That's for the entire system?

19 A Yes, correct. 3100 for the posting terminal, but this
20 posting terminal was the inventory version of it that had the
21 bar coding, the scanner, the printer, the camera, PC for 1500.

22 Q So a posting terminal -- your posting terminal pursuant
23 to your invention had all of these items attached to it, this
24 bar code printer, bar code scanner, bar code reader, camera,
25 PC, development tools, correct?

1 A Actually, there is two versions of it. There is one
2 version that's for big sellers that provides an inventory
3 software piece that has a bar coding feature in it that allows
4 them to move a lot of goods in and out of the electric market,
5 and there is a simpler claim version of the posting terminal
6 that doesn't have the bar coding, reader, scanner, printer.

7 Q You provided Mr. Allen with information about how much it
8 would cost to operate the posting terminal, market maker
9 system each month, didn't you?

10 A I might have.

11 Q Can you go to the monthly overhead section. Here at
12 Table 2, at Table 2 you provide Mr. Allen with the information
13 about the monthly operating cost of a posting terminal market
14 maker system, and you list as this overhead, monthly overhead
15 of \$114,100, correct?

16 A Yes. It included power, floor space, staff, bandwidth.

17 Q Is that correct, sir?

18 A Yeah, that's what I thought.

19 Q And that information that you provided to Mr. Allen
20 indicated that it would cost 80,000 a month for staff people
21 to receive the goods and vouch for the goods and do all the
22 other things that had to do with running a posting terminal
23 service, correct?

24 A That must have included a sales staff. That seems like a
25 pretty big number, 80,000 a month.

1 Q Well -- I'm sorry. Were you finished?

2 A Yes.

3 Q That overhead cost for staff would include the functions
4 of those people receiving the goods and vouching for the goods
5 and doing all the other things that you would have to do to
6 run a posting terminal service, correct?

7 A No.

8 Q It didn't include all of those?

9 A No.

10 Q What did it include?

11 A I believe -- and it's been a long time since I have read
12 this document. This was the company. This was to fund the
13 company. We thought we needed a sales for -- of course, the
14 computer go-between had to run and maintain that. He probably
15 had to run and maintain the software, so you need some
16 engineers. We had -- that's a pretty big number. That must
17 have been a pretty big sales staff number.

18 Q You already have sales cost listed there, sir, don't you,
19 as \$10,000?

20 A That's cost. That wasn't salaries, I don't think. It's
21 travel, meals, cost of sales.

22 Q And what would this sales staff for \$80,000 a month --
23 that's what you say that's for. The staff, you say that's a
24 sales staff figure?

25 A I don't really recall one way or the other, Mr. Randall.

1 It seems like it would have to include a sales staff in there.

2 Q But what would the sales staff be doing?

3 A Be selling the service to small stores, going to pawn
4 shops, knocking on the doors saying, hey, we got this great
5 value added proposition for you. We have electronic market.
6 You can have access to markets outside your own geography via
7 the Internet.

8 Q You were marketing here a posting terminal and market
9 maker system that included \$80,000 a month for sales staff?

10 A Well, the fact --

11 Q Go ahead.

12 A No, go ahead.

13 Q Was that the staff to handle the goods and inspect them
14 and deal with the goods that you were going to post on the
15 terminal, post on the system?

16 A No. That's for the small store owner. The small store
17 owner ran the posting terminal.

18 Q And so the small store owner -- your system was the small
19 system owner would pay \$80,000 a month to have people going
20 out and have to sell things?

21 A No. The business was -- I think this is the Fleanet
22 business plan. Fleanet was going to go sell the service to
23 small business owners and say we have this value added
24 proposition that you can log into our computer go-between and
25 it will help you reach markets you couldn't otherwise reach.

1 And the pitch went further, that we can offer this to you on
2 an inclusive basis, why you want to sign up, pay the fees.

3 MR. RANDALL: Let's go to page 3, paragraph 5, under
4 operating procedures. It's under franchise relationship
5 between market maker.

6 BY MR. RANDALL:

7 Q I'd like to direct your attention specifically to the
8 section that says the franchise relationship between the
9 market maker and the small business. Do you see that?

10 A Where? Halfway down?

11 Q It's a heading. It says franchise relationship between
12 the market maker and the small business.

13 A Yes.

14 Q About three lines down over to the right-hand side, I'd
15 like to direct your attention to this sentence. It says,
16 Operating procedures and rules governing the posting and
17 de-posting of goods must be developed alongside the posting
18 terminal software. The fee arrangement, loss of franchise
19 enforcement provisions, legal relationship between the
20 parties, and allocation of risk must be incorporated in the
21 franchise agreement. Do you see that?

22 A Yes.

23 Q And that was all true, correct, when you wrote that?

24 A Yeah. I thought that we could go brand a small business,
25 like put a sticker in the window, like we accept American

1 Express that said Fleanet, and that -- because the computer
2 go-between is processing the transactions, handling the money,
3 that we needed a way to have an understanding with the store
4 what happens if they get a bad credit card, who is going to
5 pay for that.

6 Q I'm not talking about stickers on the windows. I'm
7 talking about your statement here that says, for instance,
8 Business methods such as approved consignment contract forms,
9 bailment agreements, risk disclosure forms, waivers, copyright
10 permission and the like must be provided to the franchisees to
11 assure orderly and legal transactions. Do you see that?

12 A Yes.

13 Q That was true when you made it, right, that statement?

14 A Well, it was true that we wanted to provide a package to
15 the small stores and say, look, this is a complete form book.
16 Somebody walks in, you can have them sign up. These are the
17 terms, this is your brand. We wanted to provide the value
18 added proposition to the small store, yeah. So that was true
19 in the business plan.

20 Q And those procedures had to be developed at that time,
21 correct?

22 A Yeah. I wasn't much of a businessman. But that was the
23 business idea, that we could go to these small stores and give
24 them a value added proposition.

25 Q But those procedures in that paragraph, they had to be

1 developed, right? They must be developed?

2 A Does it say must be developed?

3 Q It says, Operating procedures and rules governing the
4 posting and de-posting of goods must be developed.

5 A Yeah. Rules to give the small business owner, to explain
6 that that electronic market is different. It's not just an
7 advertising site.

8 Q Right. And your patent application didn't explain those
9 rules and procedures, did it?

10 A Yes, it did.

11 Q Then why did you still have to develop them?

12 A Well, the patent application is written with an audience
13 of one of ordinary skill in the art, to presume to have
14 certain knowledge, like modifying the data record. But that
15 had ramifications to explain to the lay person such as a small
16 business owner, to explain it in a way that it made sense,
17 that we were giving a value added proposition. This is not
18 advertising in the newspaper. It was different. It was new,
19 it was unique. It was something worth paying for. Those were
20 the things we wanted to put together.

21 Q There was no way for, for instance, a computer programmer
22 without any legal training to come up with those rules and
23 procedures, right?

24 A Why not?

25 Q Well, you hadn't included them in your patent, correct?

1 A The core concept of this market is not an advertising
2 market. This market has finality, integrity. That is in the
3 patent application, I believe.

4 Q Did you believe that some of those rules and procedures
5 to practice the consignment nodes invention were very
6 difficult problems to solve?

7 A Did I say that somewhere?

8 Q I'm just asking you.

9 A No. I think the patent application solved it. But there
10 were explanations you are going to have to tell people,
11 because this was new. You need to put those papers together.
12 You had to explain this in a way that people could understand
13 what's new and different about it, that there is obligations
14 in participating in such a system.

15 Q To your knowledge, had anybody ever come up with those
16 procedures and rules before that you are talking about here in
17 this paragraph?

18 A I don't know if I knew it or not. I mean, I'm sure I was
19 aware that there are rules associated with a store getting a
20 credit card processing terminal. There is rules with that.
21 There is agreements with that. We wanted to have a business
22 like that, that would give value added propositions to small
23 stores.

24 Q But I'm talking about these business methods such as
25 approved consignment contract forms, bailment agreements, risk

1 disclosure forms, waivers, copyright permission and the like
2 must be provided to the franchisees to assure orderly and
3 legal transactions. Do you see that?

4 A Yes.

5 Q Those business methods, had those ever been developed by
6 anyone else before you?

7 A I'm sure bailment contracts and risk disclosure forms,
8 waivers, copyright were all well known to just about anybody
9 who does business.

10 Q All that stuff is well known?

11 A Yeah, I think so. But ours had to be in a way that
12 explained it in the context of what it meant to participate in
13 our computer go-between system.

14 Q And you explained all of that in your patent
15 applications?

16 A I believe the computer -- the patent applications, the
17 '265 in particular, has those ramifications, yes.

18 Q Are you aware that Dr. Steven Crocker, one of the
19 inventors of Arpanet which became the Internet, has criticized
20 your patent applications and said that your patent
21 applications fail to explain any of these rules?

22 A No.

23 Q Did you read Dr. Crocker's expert report?

24 A No.

25 Q The contractual relationship between the posting terminal

1 user and the market maker, the very aspect you said was novel
2 in the first page of this letter to Mr. Allen, was not
3 developed yet, right?

4 A Can you take me back to the first page?

5 Q Sure.

6 A Where are you?

7 Q It's in the third paragraph. The novel -- starts with,
8 The novel solution to this problem. The novel solution to
9 this problem is what the patent application calls a posting
10 terminal, a market maker and contractual relationship between
11 a posting terminal user and the market maker. Do you see
12 that?

13 A Yes.

14 Q That contractual relationship between the posting
15 terminal user and the market maker was not included in terms
16 of the description in your application, correct?

17 A Well, the contractual relationship arises because you are
18 participating in this system. It needed to be explained to
19 the users that this was not an ordinary system. This is
20 different. And we were trying to raise money to put these
21 packages together to give to these stores, tell them the rules
22 and tell them how it worked. We wanted to have them
23 contracted with the market maker computer as well.

24 Q No. My question was, did you describe this
25 contractual -- the novel solution to this problem, you go on

1 to say, the contractual relationship between the posting
2 terminal user and the market maker. Do you see that?

3 A Yes.

4 Q Was that all well known at the time you filed your
5 applications?

6 A You could take a patent application and write the
7 contract in such a way to explain to somebody that this is not
8 an advertising system. But that contract relationship arises
9 by the very nature of the system, the very nature of the
10 claims, the '265, that somebody -- a computer go-between is
11 taking the money on your behalf.

12 Q Can you answer my question? My question was, this novel
13 solution -- let me go on to say the contractual relationship
14 between a posting terminal user and the market maker, that
15 novel solution wasn't well known to anyone of ordinary skill
16 in the art at the time you filed your application?

17 A In the context of the '265, I can answer your question.

18 Q Okay.

19 A Which is there is an obligation on the seller form,
20 because the market maker is processing the money on their
21 behalf. I believe that is disclosed and was unique. It is a
22 unique feature of the claims of the '265 patent.

23 Q I'm asking you for the third time, was that novel
24 solution, this contractual relationship between the posting
25 terminal user and the market maker, was that well known to

1 anyone of ordinary skill in the art at the time you filed your
2 application, yes or no?

3 A I think source of confusion is that when you say
4 contractual relationship, you mean like a written contract
5 with all the terms and conditions?

6 Q I'm talking about the document you sent to Mr. Allen.

7 A Well, then, I have answered your question, because the
8 contractual relationship in context of the '265 arises from
9 participating in this type of system. There is an obligation
10 on the seller to perform when the computer go-between takes
11 the money on your behalf.

12 Q You were referring to this novel solution in this
13 document as a contractual relationship --

14 THE COURT: Just a second. The court reporter needs
15 to change paper.

16 BY MR. RANDALL:

17 Q I'm asking you, sir, this novel solution to the problem,
18 the contractual relationship between a posting terminal user
19 and the market maker, was that well known to those of ordinary
20 skill in the art at the time you filed your application?

21 A It was well known. You can hire a lawyer to say I want
22 this kind of contract written. What was unique about the
23 concept is that in this system, you have an obligation to
24 perform that relationship between you and the market maker and
25 the computer, but the computer go-between is processing credit

1 cards on your behalf. And if it does that, the system says
2 your item is sold, you have an obligation to send that item to
3 the buyer and we have the money for you. That's the
4 contractual relationship. That's the novel contractual
5 relationship here I'm trying to impart to Mr. Allen.

6 MR. RANDALL: Okay. I'm done. I'm not through, but
7 I understand we want to take a break.

8 THE COURT: I know that. Have a nice lunch. 2:15.
9 (Whereupon, the jury departed the courtroom.)

10 THE COURT: Now, I've just added up the number of
11 witnesses that you all said might be testifying in this case,
12 and it appears MercExchange's list is -- adding
13 Mr. Woolston -- 25 and the defendants' list is 33. We are in
14 our second day of trial. We don't have a contract with this
15 jury, but we certainly have told this jury that we are talking
16 about three weeks. We've got to move it along.

17 And I understand he's a very important witness to
18 both the plaintiff and the defense. I have no idea how long
19 your witnesses are going to take. I have to assume that we
20 are not going to take anywhere near as long with a lot of the
21 witnesses as we are taking with Mr. Woolston.

22 MR. RANDALL: He is the most important witness in
23 the case.

24 THE COURT: So all I'm saying is, is that I will
25 tell you, that if we just drag on and drag on and drag on, the

1 jury is going to get upset. That's all I can tell you. I
2 understand he's an important witness. Do you think you will
3 be finished with him today?

4 MR. RANDALL: I sure hope so. Part of the problem
5 is I don't think a number of my questions are getting
6 answered, but that's beside the point.

7 THE COURT: Okay.

8 MR. RANDALL: It all depends on how he responds. I
9 certainly could finish today. I would hope the witness could
10 be responsive and we could do that.

11 THE COURT: All right. Mr. Woolston, same
12 prohibition we had last night. Obviously, you are not to
13 discuss your testimony with anyone, and I'll see you all at
14 2:15.

15 (Court recessed at 1:00 p.m.)
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23
24
25

1 Appearances:

2 HUNTON & WILLIAMS

 By: GREGORY N. STILLMAN

3 SCOTT ROBERTSON

 Counsel for the Plaintiff

4

 McGUIRE WOODS, L.L.P.

5 By: ROBERT MCFARLAND

 COOLEY GODWARD

6 By: JEFFREY G. RANDALL

 Counsel for the Defendants

7

8

 I-N-D-E-X

9

 WITNESSES

10

11 PLAINTIFF

 DIRECT CROSS RED. REC.

12 THOMAS GRAHAM WOOLSTON

 532

13

14 E-X-H-I-B-I-T-S (Cont'd.)

15 ON BEHALF OF THE DEFENDANT:

 RECEIVED

16 51,

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17 388,

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18 156,

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P R O C E E D I N G S

(Proceedings resumed after luncheon recess as follows:)

(The jury entered the courtroom.)

THE COURT: Hope everyone had a good lunch.

Mr. Randall?

MR. RANDALL: Thank Your Honor.

CROSS-EXAMINATION (Cont'd.)

BY MR. RANDALL:

Q. Mr. Woolston, during the 1996 and 1997 time frame, you made a number of efforts to contact or to find business partners to help with you this consignment node system, correct?

A. I believe we were trying to raise capital then, yes, or find partners.

Q. You contacted a company in 1996 called KPCB Java; is that right?

A. That was actually a fund run by Kleiner, Perkins & Byers.

Q. All right. You contacted them, gave them a copy of your business plan to see if they would be interested in investing, right?

A. I think we sent them the patent application and the business plan, yes. We sent that to California.

Q. And they didn't invest any money in MercExchange,

1 right?

2 A. No.

3 Q. They didn't partner with MercExchange, correct?

4 A. No.

5 Q. By August of 1997 you had left Howrey & Simon, the
6 law firm, and went to another firm in Washington, D.C., Fish
7 & Richardson; is that right?

8 A. Yes, I believe I was at Fish & Richardson in 1997.

9 Q. Why didn't you instead just write the code to
10 start your business?

11 A. Capital. Lack of capital.

12 Q. Did you know at the time, in August of '97, that
13 eBay was on the World Wide Web conducting on-line auctions?

14 A. I don't know if I knew by then or not. I think it
15 was around that time frame I became aware of eBay.

16 Q. Now, you filed your first application in April of
17 '95, correct?

18 A. No, I take that back. I, I don't think I was
19 aware of eBay in '97.

20 I'm sorry, go ahead.

21 Q. All right. You were up to speed and one of
22 extraordinary skill in the art at the time you filed your
23 application in April of '95, right?

24 A. I thought in '95 I was one of extraordinary skill
25 in the art, yes.

1 Q. And you continued, through 1996 and 1997, to keep
2 up with the state of the art as it related to your
3 inventions, did you not?

4 A. I don't know if that's necessarily true or not.

5 Q. You don't know?

6 A. No. Technology has a shelf life. I was getting
7 further out of engineering school and I wasn't in a
8 programming job.

9 Q. But you continued to file patent applications,
10 right?

11 A. We filed additional patent applications in '99,
12 1999.

13 Q. All right. Did you keep up with the state of the
14 art after filing your application in '95?

15 A. I, I don't think so. I didn't actively go out --
16 I didn't have a programming job.

17 Q. And you never saw eBay or heard of eBay on the
18 World Wide Web even as late as August of '97?

19 A. Maybe. I just don't have a specific recollection.

20 Q. In 1997 you continued to look for investors and
21 partners who would help you with this consignment node
22 system, correct?

23 A. Yes.

24 Q. You contacted a company in June of '97 called
25 Wavelynx, L.L.C., correct?

1 A. He was a -- yes. I contacted a guy and met with
2 him over in Old Town, Alexandria.

3 Q. And that company did not partner with you, right?

4 A. No They were a small company. They didn't have
5 capital either. No, we did not partner with them.

6 Q. They didn't have any money?

7 A. No.

8 Q. Why were you contacting them about your invention?

9 A. Well, they, they had a newspaper article, I think
10 it was in the Washington Post, about some activities they
11 were doing, so I contacted them, tried to get them
12 interested in working on MercExchange.

13 Q. And nothing came of that contact, right?

14 A. No.

15 Q. You contacted Adams-Eliot, L.L.C. in August of
16 '97, correct?

17 A. Yes.

18 Q. And they didn't partner with you, right?

19 A. Well, Adams-Eliot, L.L.C. is a friend of mine's
20 company. It's a one man company. I sent him the business
21 plan and a cover letter to see if I could get some interest,
22 but I never got a partner out of it, no.

23 Q. You never got a partner and didn't develop any
24 interest in your system, right, with respect to that
25 contact?

1 A. Bill batch was very interested in helping, but we
2 didn't have any capital. We didn't find any capital.

3 Q. You contacted, in October '97, J.G. Fogg &
4 Company, Inc. right?

5 A. I think so.

6 Q. Gave them your business plan, right?

7 A. We might have.

8 Q. Okay. But you didn't get any investment from them
9 or any partnering deal from them either, did you?

10 A. No. I think they were in Massachusetts.

11 Q. In November of '97 you wrote Parthenon Group, gave
12 them your business plan --

13 A. Right.

14 Q. -- right?

15 A. Yes.

16 Q. And you didn't partner with him, and you didn't
17 get any money from them either, did you?

18 A. No. They didn't invest.

19 Q. In March of -- strike that.

20 In November of '97 you wrote George Mason
21 University and gave them your business plan, right?

22 A. Yes.

23 Q. Nothing came of that, either, right?

24 A. I wouldn't say nothing. I got in touch with the
25 Redmon Group through George Mason University and I met with,

1 I think it was Mr. Redmon. He had a small company over in
2 Old Town Alexandria.

3 Q. They didn't invest and they didn't partner with
4 you, correct?

5 A. They were very interested in doing it, but they
6 didn't have any capital either. So they did not. We did
7 not, we weren't able to pursue it together.

8 Q. In June of '98 you wrote the Washington Antiques
9 Center and gave them your business plan, right?

10 A. Yes.

11 Q. And they weren't interested in giving you money or
12 partnering with you either, were they?

13 A. No.

14 Q. Throughout this time frame, through 1996 through
15 199, you didn't write any software code to implement your
16 consignment node inventions, did you?

17 A. Probably correct.

18 Q. You made no effort whatsoever to try to build your
19 system, did you, during that time period?

20 A. No. We made a lot of effort to find venture
21 capital in Virginia, to find people willing to partner here
22 in Virginia.

23 Q. And no one did, right?

24 A. No. We were unsuccessful.

25 Q. And that wasn't because eBay was out there right?

1 Because you hadn't even heard of eBay, correct?

2 A. I don't know if I had heard of eBay or not.

3 Q. But in all these meetings that you had with all
4 these people, no one ever mentioned eBay, right?

5 A. Probably not. I don't think any of us had ever
6 heard of eBay.

7 Q. All right. So your failure to develop more money
8 or partners during this time period, from 1996 to 1998 had
9 nothing to do with eBay, right?

10 A. I don't know. I can't ascribe the motives of the
11 California venture firms we solicited, the Massachusetts
12 venture firms. Maybe they knew something I didn't.

13 Q. By the end of 1998 you had moved to a third law
14 firm, the Hunton & Williams law firm, correct?

15 A. I think that's about the time frame.

16 Q. And you still hadn't tried to at least build your
17 system in terms of writing code, right?

18 A. I personally hadn't written code. We were still,
19 I believe, seeking partners.

20 Q. Right. But by the end of 1998, neither you nor
21 anyone on your behalf had begun or even attempted to write
22 code for your system, right?

23 A. No. I said I began writing code in '94. I had a
24 RAD tool, I did a GUI for it, but I stopped. I didn't have
25 time to do it in '94 -- or I'm sorry, '95. So the answer to

1 your question is I did a little bit in '95, but I wasn't
2 able to find other technical partners.

3 Q. All right. So from 1995 through the end of 1998,
4 either neither you nor anyone on your behalf attempted to
5 write code to implement your inventions, right?

6 A. I don't know if I was still trying to do it in
7 late '95. Probably not.

8 Q. By the end of 1998 you heard of PriceLine.com,
9 correct?

10 A. Yes. By the end of '98.

11 Q. And that was the name-your-own-price system right?

12 A. Yes.

13 Q. You would log on, name your own-price, and maybe
14 some airline would accept it, right? That's basically how
15 it worked?

16 A. It's a, it's a little more technical than that.

17 Q. Okay. You believe that you invented the
18 name-your-own-price idea, don't you, sir?

19 A. No.

20 Q. You believed that the name-your-own-price system
21 implemented by PriceLine was described in your patent, don't
22 you?

23 A. It interfered -- they had a patent to issue, the
24 '207 patent, that interfered with one of the, one of the
25 modes in our application, yes, I believe that.

1 Q. And you stated that when you read that PriceLine
2 had a patent, right?

3 A. Yes.

4 Q. And it issued, right?

5 A. Yes.

6 Q. Got through all the procedures at the Patent
7 Office and issued, right?

8 A. Yes.

9 Q. And you stated that when you read that patent, the
10 PriceLine patent, you were shocked that this examiner had
11 not declared an interference between your patent and their
12 patent, correct?

13 A. Probably.

14 Q. Well, that's what you wrote, right?

15 A. I don't know.

16 Q. And an interference between your patent and the
17 PriceLine patent, what does that mean, sir?

18 A. Because we were earlier in time, the Patent Office
19 issued a patent to PriceLine that was filed 16 months after
20 we filed ours.

21 And interference, because we were trying to
22 commercialize our invention, there was the potential that
23 one of the nodes of our invention could have infringed the
24 PriceLine patent. And interference is a procedure at the
25 Patent Office where you can submit documents, make your

1 petition to the Patent Office and say these two patents are
2 tangled, we need to award priority and untangle them.

3 Q. So you thought the Patent Office, during the
4 prosecution of the PriceLine patent, should have discovered
5 your application as prior art and declared this
6 interference, right?

7 A. Our patent applications weren't prior art at the
8 time to PriceLine. The European patent application probably
9 was prior art to PriceLine. I'm not an expert on
10 interference practice.

11 Q. All right. But you were shocked, you didn't
12 believe the Patent Office had done, had done their job
13 properly with respect to these two applications that were
14 pending at the same time in the Patent Office, right?

15 A. It's not really a matter of doing their job
16 correctly, it's just a procedure that's set up at the Patent
17 Office you can provoke, you can invoke, and have the patents
18 untangled.

19 Q. The after some further -- strike that.

20 You contacted PriceLine and asked them to partner
21 with you, didn't you?

22 A. Yes.

23 Q. And you stated after some further investigation,
24 you contacted PriceLine to propose that MercExchange and
25 PriceLine work together to fully develop the technology,

1 right?

2 A. Yes.

3 Q. And after you explained your patent and your
4 inventions to PriceLine, they offered you -- and this is
5 your words -- they offered you a peppercorn for the entire
6 intellectual property portfolio for MercExchange, right?

7 A. Yes. It's been my impression that big companies
8 don't like to deal with the small inventors.

9 Q. That's not my question. My question was that
10 after --

11 A. That's correct. That's correct. It was a very
12 low offer.

13 Q. What was it?

14 A. I don't remember.

15 Q. You can't remember what the offer was?

16 A. It was very low.

17 Q. That was the first offer you'd ever received for
18 your intellectual property rights, and you can't remember
19 what it was?

20 A. No.

21 Q. That was the first offer you had ever received for
22 your intellectual property rights, correct?

23 A. Probably.

24 Q. And PriceLine had heard your explanation of all of
25 your intellectual property rights and had done their

1 homework at the time, correct?

2 A. No, I don't know that.

3 Q. Okay. The interference that you filed in 1998,
4 you asked the Patent Office to give you the PriceLine patent
5 claims, right?

6 A. It's more complicated than that. I'm not an
7 interference expert. It has to do with setting up account.
8 It's like a phantom patent claim that covers the two and
9 then they try to untangle them.

10 Q. But you thought that you, based on your
11 application, rightfully owned the PriceLine patent claims,
12 correct?

13 A. No, that's not exactly how it -- that might be an
14 inartful way of putting that. I might have even said that
15 at one. But the problem was that we were still hopeful that
16 we could commercialize the invention, and there was a patent
17 out there, PriceLine patent that we could have been
18 infringing. So to protect our rights, we had to file this
19 paperwork with the Patent Office to say please untangle
20 these two patents.

21 Q. You complained to the national media that
22 PriceLine was ripping off our intellectual property and that
23 you, not the PriceLine entrepreneur, Walker, had invented
24 the name-your-own-price idea, didn't you?

25 A. I don't know if I said that or not.

1 Q. Probably?

2 A. I just don't have all these dates fixed in my
3 head. But yeah, that's, that time frame sounds right.

4 Q. Would you like me to refresh your recollection
5 with your videotape testimony?

6 A. I don't think you were putting the document in
7 front of me in my deposition either, so I don't think it's
8 going to help me. If you have the employment agreement, I'm
9 happen to tell you the date on the agreement.

10 MR. STILLMAN: Excuse me. I've tried not to
11 object, but I don't see what the relevancy of all this is to
12 a patent infringement suit. So I object on the basis of
13 relevancy.

14 MR. RANDALL: He introduced a series of Aden
15 Enterprises license agreements claiming that those represent
16 a damages figure. They are seeking an enormous --

17 THE COURT: Okay. Wait a minute. Just a second.

18 MR. STILLMAN: If he's trying to establish that
19 there was a related party relationship between Mr. Woolston
20 and Aden at the time the license agreement was entered into,
21 I'll stipulate to that. There was.

22 MR. RANDALL: Your Honor, I think the jury needs
23 to hear the evidence. If he wants to withdraw those license
24 agreements, he can withdraw the license agreements.

25 THE COURT: Why don't you go into the jury room

1 for a second, please?

2 (Jury left the courtroom.)

3 THE COURT: I tried my very best not to have to do
4 that. Now let's get on with it. What is the issue? Why is
5 it relevant?

6 MR. RANDALL: The issue is, Your Honor, he is
7 testifying -- they have put into evidence these license
8 agreements claiming that they are arm's length transactions;
9 that these are fully negotiated arm's length transactions
10 between MercExchange on one hand and Aden on another;
11 between MercExchange on one hand and various Aden
12 subsidiaries. They form the core of their damages case in
13 this case. What they argue is that those license agreements
14 between Aden and MercExchange, Leftbid and MercExchange and
15 Cheapfares and MercExchange, a number of these license
16 agreements, all support their reasonable royalty in this
17 case as arm's length transactions between MercExchange and
18 these other companies.

19 In fact, and we've argued throughout this case,
20 that they're not arm's length transactions; that
21 Mr. Woolston was on both sides of the table. He had, he was
22 an officer in both companies, he was an owner of both
23 companies. These are nothing more than sham agreements
24 intended to use later in litigation. In fact, there is an
25 agreement in place for them to sue eBay in the 1999 time

1 frame as well. So at a time when they had their targets
2 fixed on eBay, two companies with an ownership interest in
3 the lawsuit, with an ownership interest in each other, are
4 cutting these license agreements back and forth, numerous
5 ones, and their damages experts are relying on them.

6 THE COURT: Okay.

7 MR. STILLMAN: Mr. Randall is right in part and
8 wrong in part. They are clearly not --

9 THE COURT: Does that mean the firm has --

10 MR. STILLMAN: -- arm's length transactions.

11 THE COURT: -- reversed employees?

12 MR. STILLMAN: I agree with him. They are not,
13 and I've never contented that they are arm's length
14 transactions. They are clearly related parties. As a
15 matter of fact, I brought that out in direct, that these
16 were related party transactions because Mr. Woolston was an
17 officer both in Aden and in MercExchange at the time. And
18 so I've never contented otherwise, and I would stipulate to
19 that fact and we can move on and get things going to the
20 things that are relevant.

21 It's also wrong to say that we're offering this
22 license agreement to prove a reasonable royalty. It is
23 relevant to the consideration of what a reasonable royalty
24 is, because under the Georgia Pacific factors, anyone who
25 establishes one has to look at all of the license

1 agreements --

2 THE COURT: Right.

3 MR. STILLMAN: -- the company has. But our expert
4 will tell you, yeah, I looked at it and I saw that it was a
5 related party transaction. And so that obviously has an
6 effect on it. And he will say that. But this is going on
7 much too long. It's not relevant.

8 MR. RANDALL: Your Honor, we brought a motion in
9 limine on this and we wanted to exclude it for this very
10 reason; that it is not an arm's length transaction, it
11 doesn't mean anything, and yet they resisted that, number
12 one. But number two, their damages experts are relying on
13 this, and I believe their damages experts have said that
14 they believe that these were arm's length transactions. I
15 can find documents and pleadings and expert reports that
16 will indicate that they argued that these were arm's length
17 transactions. That Mr. Luther --

18 THE COURT: "They" meaning who?

19 MR. RANDALL: MercExchange.

20 THE COURT: All right.

21 MR. RANDALL: I'm not going to go into this much
22 further, but I think the jury needs to hear what type of
23 relationship existed between these companies. Particularly
24 the ones with respect to the license fees.

25 THE COURT: How many companies are you talking

1 about?

2 MR. RANDALL: What's that?

3 THE COURT: How many companies are we talking
4 about?

5 MR. RANDALL: It's Aden and it's LeftBid. I think
6 there's one other. But I don't anticipate much more on
7 this, but I've got to walk through the agreements that they
8 are relying on.

9 And by the way, this agreement in January of 1999
10 between Aden and MercExchange was the only agreement that
11 was entered into between Mr. Woolston and MercExchange and
12 Aden where he was not at that time a co-owner, co-officer of
13 both companies. In the April agreement he was, the October
14 agreement he was.

15 THE COURT: Anything else?

16 MR. STILLMAN: No. Your Honor, the only thing I
17 would say is if we have continued -- contended that this is
18 anything other than a related party transaction, I'm not
19 aware of it. Because I would never have agreed to do that.
20 It is clearly a related party transaction. Related party
21 transactions occur in public corporations all the time.
22 They are footnoted in the financial instruments.

23 I'll stipulate, I'd offer that stipulation today,
24 that it is a related party transaction.

25 THE COURT: Objection's overruled.

1 A. I believe so.

2 Q. And what's your understanding of that, sir?

3 A. It's like you and I, as total strangers, negotiate
4 for the best bargain at arm's length. Each representing
5 themselves.

6 Q. And these agreements between MercExchange and Aden
7 Enterprises, they were license agreements for your patents,
8 right?

9 A. Yes.

10 Q. And because they were entered into while you were
11 general counsel and chief technology officer and co-owner of
12 Aden on one hand, and an owner of MercExchange on the other,
13 they were not arm's length transactions, were they sir?

14 A. That's correct. They were related party
15 transactions.

16 Q. And at that time you were serving as managing
17 member of MercExchange, correct?

18 A. Yes.

19 Q. And you've always been the managing member of
20 MercExchange, correct?

21 A. Yes.

22 Q. Which means that you're the CEO and president,
23 right?

24 A. Yes.

25 Q. And you had a fiduciary duty do you not, to your

IN THE UNITED STATES DISTRICT COURT
IN THE EASTERN DISTRICT OF VIRGINIA
NORFOLK DIVISION

MERCEXCHANGE, L.L.C.,

Plaintiff,

v.

EBAY, INC., et al.,

Defendant.

CIVIL ACTION
NO. 2:01cv736

TRIAL PROCEEDINGS

Norfolk, Virginia

May 19, 2003

VOLUME 19B Pages 3340-3435

BEFORE: THE HONORABLE JEROME B. FRIEDMAN
United States District Judge, and a Jury

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10

WITNESSES

11

12 PLAINTIFF-REBUTTAL

CROSS

RED.

REC.

13 ALFRED WEAVER

3342/3411

3405/3417

3417

14

15

E-X-H-I-B-I-T-S

16

(none)

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25

1 not.

2 MR. RANDALL: I don't know what the objection is.
3 All I'm doing right now is establishing exactly what Nahan
4 has taught and disclosed with this witness.

5 THE COURT: Okay.

6 MR. STILLMAN: Okay. Well, I object.

7 THE COURT: I'm going to allow him to do it. But
8 Mr. Randall, you're going to have to stop. I think this
9 jury is getting awfully tired of this, frankly.

10 I know the Court is.

11 (Bench conference concluded.)

12 BY MR. RANDALL:

13 Q. So Dr. Weaver, when you told the Court in your
14 declaration that everything described by examiner Kemper
15 that was in the Salmon reference was cumulative of Nahan,
16 what you were saying was all of this information that
17 examiner Kemper said was in Salmon, in your opinion, was
18 taught and disclosed by Nahan, correct?

19 A. Yes. That these items were present.

20 Q. Okay. So in your opinion, Nahan teaches a method
21 for conducting sales on the Internet, right?

22 A. It can be used over the Internet.

23 Q. Well, it teaches that, does it not?

24 A. Yes.

25 Q. Okay. And Nahan teaches, in addition to

1 Q. Would you agree that the Patent Office's person of
2 ordinary skill in the art in 1995 would understand that
3 Nahan discloses, among other things, the transaction having
4 finality of transaction?

5 A. Well, Nahan doesn't use those words.

6 Q. That's not my question.

7 MR. RANDALL: And just for the record, what is
8 highlighted up on the screen is the same exhibit, I believe
9 it is exhibit 435, and it's either at page 3090 or 3089.
10 And the portion -- 3089. And the portion that I'm directing
11 the witness to is where it says, Nahan discloses
12 facilitating a financial transaction in the first tier
13 electronic market between a consumer participant and a
14 dealer participant, the transaction having finality of
15 transaction.

16 BY MR. RANDALL:

17 Q. And so the question, Dr. Weaver, is do you agree
18 that the Patent Office's person of ordinary skill in the art
19 in 1995, when looking at Nahan, would believe that the Nahan
20 patent discloses, among other things, a transaction having a
21 finality of transaction? Yes or no.

22 A. I think the Patent Office -- yes. One must have
23 thought that.

24 Q. And based on your review of what the Patent Office
25 considered to be one of ordinary skill in the art in 1995,

1 you understand that the Patent Office rejected \1\one 149 of
2 Mr. Woolston's claims based on Nahan, right?

3 MR. STILLMAN: Objection. That's not relevant to
4 this case. I mean, and they're not final rejections, and
5 Mr. Randall knows that.

6 MR. RANDALL: They're all based on the Nahan
7 reference and they're all based on the same specification.
8 I'm just asking if the witness understands that.

9 MR. STILLMAN: It's irrelevant.

10 THE COURT: If he understands it. And
11 Mr. Stillman, you can ask him questions about that.

12 Do you understand that?

13 THE WITNESS: Yes.

14 THE COURT: Next question?

15 MR. RANDALL: No further questions.

16 THE COURT: No further questions? That's even
17 better. Okay.

18 MR. STILLMAN: I promise to be very quick.

19 REDIRECT EXAMINATION

20 BY MR. STILLMAN:

21 Q. Dr. Weaver, have you seen any evidence in this
22 case that you relied upon that would demonstrate to your
23 satisfaction that the Nahan system was ever operational?
24 Was ever operational?

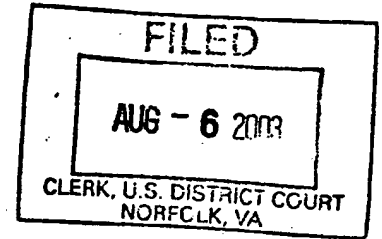
25 A. Absolutely not. Even that video that we saw

Exhibit X

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014

IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
Norfolk Division



MERCEXCHANGE, L.L.C.,

Plaintiff,

v.

Civil Action No. 2:01cv736

eBAY, INC. and HALF.COM, INC.,

Defendants.

ORDER AND OPINION

Currently before the court are ten post-trial motions in the above-styled case; seven filed by the plaintiff and three filed by the defendants. Each motion is addressed separately below.

I. Background

On May 27, 2003, after a five-week jury trial, the jury returned a verdict finding the defendants liable for \$35 million for willfully infringing the plaintiff's patents, U.S. Patent Nos. 6,085,176 ("the '176 patent") and 5,845,265 ("the '265 patent"). The court has previously discussed the nature and detail of the litigation and as such, will not reiterate it here. Following the reading of the jury's verdict, the defendants made a number of oral post-trial motions, which were to be followed up with written briefs. The plaintiff also indicated that it would be filing various post-trial motions. The court endorsed the schedule of briefing agreed to by the parties. Accordingly, on June 12, 2003, the defendants filed three motions, including (1) Half.com's Renewed Motion for Judgment as a Matter of Law and Motion for a New Trial on the '176 Patent; (2) eBay and Half.com's Renewed Motion for Judgment as a Matter of Law and Motion for a New Trial on the '265 Patent; and (3) eBay and Half.com's Renewed Motion to Strike Testimony of Plaintiff's Damages Experts, Motion for New Trial, or Motion for Judgment as a Matter of Law. Likewise on

June 12, 2003, the plaintiff filed the following motions: (1) Motion for Entry of a Permanent Injunction Order; (2) Motion to Enforce Judge Friedman's Injunction Order of February 26, 2003, and for Order to Show why Defendant eBay, Inc. Should Not be Held in Contempt for Facilitating Violations of Judge Friedman's Injunction Order of February 26, 2003; (3) Renewed Motion for Judgment as a Matter of Law; (4) Motion for Prejudgment and Postjudgment Interest; (5) Motion for Post-Verdict and Postjudgment Accounting; (6) Motion for Enhanced Damages Under 34 U.S.C. § 284 and Attorney Fees Under 35 U.S.C. § 285; and (7) Motion for Entry of Final Judgment. Responses to these motions were filed on June 23, 2003¹ and the rebuttals on June 30, 2003.

As all the motions are now fully briefed, they are ripe for review.

II. Discussion

A. Defendants' Motions²

1. Half.com's Renewed Motion for Judgment as a Matter of Law and Motion for a New Trial on the '176 Patent.

In this Motion, Half.com argues that it is entitled to judgment as a matter of law ("JMOL") on noninfringement and invalidity for obviousness, and seeks a conditional new trial. While this court could go into detail as to each and every argument made by Half.com in its JMOL, the court will not do so. Half.com reargues most, if not all, of the arguments made to the jury. These arguments, while clearly persuasive in the eyes of the defendants, did not convince the jury of their theory of the case. JMOL cannot be granted against a party unless "there is no legally sufficient

¹ The due date for the responses was actually June 22, 2003; however, because this fell on a Sunday, the parties had until the following Monday to file their response briefs.

² The court notes that the defendants' Motions are written as if they are appellate briefs. In fact, nowhere in any of the Motions or accompanying Memoranda do the defendants cite the standard for judgment as a matter of law following a jury verdict.

evidentiary basis for a reasonable jury to find for that party on that issue....” Fed. R. Civ. P. 50(a).

Thus, JMOL should not be granted unless

(1) there is such a complete absence of evidence supporting the verdict that the jury’s findings could only be the result of sheer surmise and conjecture or (2) there is such an overwhelming amount of evidence in favor of the movant that reasonable and fair-minded men could not arrive at a verdict against him.

Jamesbury Corp. v. Litton Indus. Prods. Inc., 756 F.2d 1556, 1558 (Fed. Cir. 1985). When ruling on a motion for JMOL, a judge “must consider all the evidence in a light most favorable to the non-mover, must draw reasonable inferences favorable to the non-mover, must not determine credibility of witnesses, and must not substitute its choice for that of the jury between conflicting elements in the evidence.” Perkin-Elmer Corp. v. Computervision Corp., 732 F.2d 888, 893 (Fed. Cir. 1984) (internal citations omitted). Given this standard, the court must deny Half.com’s Motion.

a. Noninfringement

First, with respect to noninfringement, the plaintiff was required to prove by a preponderance of the evidence that the defendants’ systems practiced each and every claim limitation. In order to facilitate this, the plaintiff used claim charts which its expert witnesses discussed during direct examination. While the defendants put on their own experts to contradict the testimony of the plaintiff’s experts, the jury was entitled to judge the credibility of these witnesses for themselves. The fact that the defendants disagree with the plaintiff’s experts’ conclusions is not a basis for JMOL or a new trial. Half.com makes five main arguments as to why JMOL is required for noninfringement, including (1) that no reasonable jury could have found the ‘176 electronic market/trusted network limitations; (2) no reasonable jury could conclude that Half.com searches a plurality of electronic markets for an item; (3) A1Books, TextBooksX, and Buy.com are not

electronic markets or trusted networks; (4) Half.com uses a noninfringing centralized database technique with FTP files; and (5) no reasonable jury could find willfulness.

With respect to the first argument, Half.com essentially reargues this court's Markman ruling. Specifically, Half.com contends that it is not a trusted network but rather a person-to-person system and the court erred in not providing the jurors with the entire Markman Opinion. The defendants have argued this person-to-person versus trusted network issue repeatedly over the course of this litigation. At no point during the two-day Markman hearing did either side ask the court to define person-to-person system.³ When the court ruled that the plaintiff's patents envisioned a trusted system and not a person-to-person system, it was not saying that eBay or Half.com was either a trusted system or a person-to-person system. These were simply terms used by the parties throughout the hearing. Moreover, when the plaintiff raised the issue in a Motion to Reconsider its Motion to Reconsider, the defendants balked and filed a sur-reply to respond to the plaintiff's attempt to reargue Markman. At trial, the defendants argued that it was not a trusted system, but instead, a person-to-person system. In opposition, the plaintiff offered evidence of the various trust-enhancements that eBay and Half.com incorporated into their systems. The jury clearly found that the defendants operated trusted systems and infringed the patents. The court will not now find as a matter of law that Half.com is a person-to-person and not a trusted system.

As for the next two arguments, Half.com argues that the JMOL is required because it does not search a plurality of electronic markets for a particular item, as these terms were defined by this

³ It was the defendants who, during the Markman hearing and in their supporting briefs, asked this court to find that the terms auction, electronic market, and market for goods must exist on a trusted network or system or with a trusted intermediary. The plaintiff simply asked this court to give these terms their ordinary meaning.

court. Half.com maintains that in order to be an electronic market, a participant must be able to buy, sell, search, and browse for goods online. Half.com argues that because there was insufficient evidence that sites such as Buy.com and A1Books allow participants to sell online, they cannot be electronic markets. However, Half.com is mistaken. This court's Markman Opinion stated that "electronic market is construed as a trusted network or system where participants can buy, sell, search or browse goods online." Markman Opin., Dkt. 207 (Oct. 18, 2002), p. 30 (emphasis added). There was nothing in this claim construction that required the electronic market to do all four functions cited. Likewise, Half.com argues that it does not search for a unique or particular item and thus, cannot infringe. However, as the court ruled in its Markman Opinion, "an item is a good." Id. at p. 31. The court did not define an item as a unique or particular good. The court will not now overturn a valid jury verdict based on these arguments over the Markman construction.

Next, Half.com reargues its position that it does not infringe the patent because it uses a centralized database technique with FTP files. The defendants strenuously argued this point at trial, and even created a somewhat lengthy animation clip of what the Half.com system does to populate its database. The defendants' expert, Dr. Maly, walked the jury through this animation in great detail. However, it was the jury's right to accept this evidence or not. Clearly it did not. Instead, the jury relied on the deposition testimony of Mr. Balijepalli, as well as the expert testimony of Dr. Frieder. The fact that "there may have been trial evidence favorable to both sides ... is simply irrelevant." Shatterproof Glass Corp. v. Libbey-Owens Ford Co., 758 F.2d 613, 621 (Fed. Cir. 1985). This does not provide a proper basis for the court to enter JMOL in favor of Half.com.

The final point raised by Half.com, which is equally applicable to the defendants' JMOL for the '265 patent, see infra, is Half.com's insistence that the jury erred in finding it willfully infringed

the '176 patent. The plaintiff contends that because the defendants knew of its patents since at least June of 2000, and failed to obtain an opinion of counsel or conduct a patent clearing investigation, they cannot argue a good-faith belief that the patent was invalid or not infringed. The defendants, on the other hand, state that the Federal Circuit has held that the failure to obtain an opinion of counsel does not mandate a finding of willfulness. See, e.g., Read Corp. v. Portec, Inc., 970 F.2d 816, 828-29 (Fed. Cir. 1992), abrogated on other grounds by Markman v. Westview Instruments, Inc., 52 F.3d 967 (Fed. Cir. 1995); Kloster Speedsteel AB v. Crucible, Inc., 793 F.2d 1565, 1579 (Fed. Cir. 1986). Moreover, the defendants argue that they were not aware that the plaintiff believed they were infringing the patents at issue based on statements made by the inventor. However, the defendants made similar arguments to the jury, who apparently did not find that they outweighed the plaintiff's evidence on willfulness. There is no dispute that the defendants failed to obtain an opinion of counsel and conduct a patent clearance investigation. Furthermore, the defendants repeatedly argued at trial that they could have designed around these patents for less than \$15,000. The fact that this simple, inexpensive process would have saved the time, expense, and necessity for this litigation and yet was not done by the defendants, also weighs against them. The fact that the court ruled that the sufficiency of the evidence of willfulness was "a close call" in the defendants' first Rule 50 motion is of no consequence here. In that ruling, the court stated that "based on the defendants' notice of the patents and their duty to avoid infringement, the lack of a patent clearing policy, and the lack of a written opinion of counsel, there is sufficient evidence to allow a jury to determine willfulness." The jury apparently found the plaintiff's evidence on willfulness clear and

convincing.⁴ Therefore, this argument by Half.com must be denied.

b. Invalidity

Second, Half.com cites three main reasons why its Motion for JMOL should be granted with respect to invalidity of the '176 patent claims. These include (1) the plaintiff blocked the date of invention instructions; (2) the plaintiff misstated the motivation to modify standard; and (3) the evidence presented with respect to obviousness was clear and convincing.

With respect to the date of invention, the court has to admit its surprise at this argument, given the relative lack of objection to the jury instruction on this issue. The court told the attorneys that it would modify the Federal Circuit Bar Association Model Patent Jury Instructions for use in this case.⁵ A few days prior to the charging conference, the court gave the attorneys copies of the final set of jury instructions. At the charging conference, the parties were able to raise any objections to this set of instructions. The defendants did not state that the court erroneously omitted the date of invention paragraph from the model instructions at this time or any time prior to this Motion. Rather, the defendants offered another instruction on corroboration of the date of invention, which

⁴ Furthermore, the defendants argue in their response to the plaintiff's Motion for Enhanced Damages, *see infra*, that because the jury found the defendants' indirect infringement of the '176 patent willful, despite not finding the defendants to have indirectly infringed this patent, warrants judgment as a matter of law for the defendants on all willful determinations. The defendants maintain that the jurors were confused as to the law on willfulness and as such, their verdict on willfulness cannot be upheld. This court disagrees. The jury was confronted with a lengthy and complex 22-page verdict form, consisting of 26 questions (with 222 sub-questions). The fact that an inconsistency arose in this manner does not mean that the jurors did not understand the law as this court instructed. While the court finds that there is no willfulness on the indirect infringement of the '176 patent claims, the court will not make such a finding on the remainder of the claims.

⁵ The court notes that it relied primarily on the Federal Circuit Bar Association Model Patent Jury Instructions, which did not contain an instruction on corroboration of the date of invention.

this court found was not adequately supported by the caselaw cited. Moreover, there were numerous instances in the jury instructions relating to prior art where the date of invention is discussed with the jury. There is no indication that the jury rejected the defendants' invalidity defense based on the date of the invention, as neither side asked for this question to be offered on the verdict form. In fact, the defendants' objected to the plaintiff's proposed verdict form where they sought a list of the prior art references that the jury considered for each invalidity allegation. The court agreed with the defendants and removed these questions from the verdict form. The defendants now appear to be seeking to benefit from the court's ruling in their favor on this issue. The fact that the jury did not receive an instruction on the corroboration of the date of invention does not, in and of itself, require that JMOL be granted. Therefore, this argument does not mandate JMOL for Half.com.

As to the second ground for JMOL of obviousness, Half.com argues that the plaintiff mischaracterized the motivation to modify standard and misled the jury to believe that (1) the nature of the problem to be solved could not provide the motivation to modify, and (2) the prior art inventor must himself recognize the motive to modify. Half.com relies on SIBIA Neurosciences, Inc. v. CADUS Pharmaceutical Corp., 225 F.3d 1349, 1358 (Fed. Cir. 2000). Specifically, Half.com contends that the following statement given by the plaintiff "urged the jury to commit plain error:"

What does it mean for one skilled in the art to say that they're motivated to combine two or more, in some cases, in this case four different prior art references to render a claim invalid? It simply means this: That someone skilled in the art would be looking to solve a problem that is not solved by the current invention. You saw Mr. Nahan talk about his invention. As I saw that video, I didn't see that he thought there was any problem remaining to be solved. He thought that he had solved the problem that he was trying to solve. He liked the idea that sellers could back out of a transaction, that there was no finality. He liked the idea that you had to go offline to consummate that transaction.... Here you had an invention that was essentially designed to do exactly what it was designed to do. And so there's no motivation there.

Dkt. 556, p. 19 (quoting Trial Transcript 3607:21-3608-16). In SIBIA, the Federal Circuit rejected the patentee's argument that the prior art inventors were thinking about an entirely different application and that the motivation to combine was not on the minds of the prior art inventors. 225 F.3d at 1358. However, the plaintiff's statement was made during closing arguments, which the court instructed were not evidence. The court provided the jury with an instruction on motivation. See Jury Instruction No. 54 ("In deciding whether to combine what is described in various items of prior art, you should keep in mind that there must be some motivation or suggestion for a person of ordinary skill in the field of the invention to make the combination covered by the patent claims. For each claim, you should also consider whether or not any of the prior art items "teach away" from the invention covered by the patent claim. The question to be answered is: Would someone reading the prior art be discouraged from following the path taken by the inventor?"). The court must assume that the jury follows the instructions they are given. Half.com has no evidence that the jury failed to consider this instruction but instead relied on comments made by the plaintiff during closing arguments. As such, there is no grounds for a JMOL or a new trial.

Finally, Half.com posits that the evidence of invalidity was clear and convincing. However, the jury did not agree. The jury heard evidence from all the expert witnesses in this case and was given volumes of documents to review during their deliberations. They clearly did not find the defendants proved invalidity by clear and convincing evidence. When the evidence on invalidity is viewed in the light most favorable to the plaintiff, the court cannot find that there was a complete absence of evidence supporting the verdict that the jury's findings could only be the result of sheer surmise and conjecture, or that there was such an overwhelming amount of evidence in favor of Half.com that reasonable and fair-minded jurors could not arrive at a verdict against it. Therefore,

Half.com's Motion for JMOL and/or a New Trial on invalidity is denied.

2. eBay and Half.com's Renewed Motion for Judgment as a Matter of Law and Motion for a New Trial on the '265 Patent.

In the defendants' second Motion, they again argue that JMOL is required of noninfringement and invalidity of the '265 patent, and that a new trial is compelled based on inadmissible evidence and misleading arguments presented to the jury by the plaintiff. Using the standard set forth above, the court will address some of the issues raised by the defendants.

a. Noninfringement

Similar to above, the defendants rely on a number of general reasons why JMOL is necessitated for noninfringement of the '265 patent. First, the defendants argue that the plaintiff blocked the jury from full consideration of the Markman Opinion. As discussed above, the jury was provided with the claims constructions as determined by this court. The jury was not given, over objection by the defendants, the analysis of the court in arriving at those claims constructions. The defendants somehow believe that the court ruled they were person-to-person systems. The court did no such thing. In fact, when the defendants filed their post-Markman motions for summary judgment, the court denied the one pertaining to the '265 patent because it held that one of the key issues that remained in dispute was "whether eBay is a trusted network." Order and Opinion, Feb. 14, 2003, p. 5. For the defendants to now argue that they were surprised or unprepared for trial on this issue is somewhat disingenuous. The court never explicitly defined what a trusted system must have versus what a person-to-person system encompasses. The plaintiff offered a great amount of evidence to prove to the jury that the defendants are indeed trusted networks, including escrow services, conflict resolution services, insurance, payment intermediaries, authentication services,

feedback forum, and the policing of the system. This evidence was certainly sufficient to meet the plaintiff's burden by a preponderance of the evidence. Therefore, the defendants' argument on this ground must fail.

The defendants also argue that the court failed in providing the jury with the specific provision of the UCC on the legal issue of transfer of ownership. This issue was sprung on Dr. Weaver during cross-examination and was never presented to the court before trial as a triable issue. Never in the Markman Opinion, or any other opinion issued by this court in this case, did the court hold that transfer of ownership implicated the UCC. It was not an error requiring JMOL for the court to have refused this jury instruction. The defendants make a number of other arguments regarding whether or not their systems perform the functions of the '265 patent, including notifying the owner and authorizing the posting terminal. However, these same arguments were made to the jury. The plaintiff offered counter evidence to dispute the defendants' contentions, such as the fact that the defendants place "hashed cookies" on the user's terminal. The fact that the jury did not agree with the defendants' evidence does not necessitate a JMOL. This court cannot say, as a matter of law, that no reasonable jury could have ruled against the defendants. As such, the defendants' motion for JMOL on Noninfringement is denied.⁶

b. Invalidity

The defendants again argue that JMOL is required because the court failed to give a date of invention instruction to the jury. As the court addressed this issue with respect to the invalidity argument for the '176 patent, see supra section II.A.1.b, the court will not reiterate it here. In

⁶ The defendants also argue that JMOL of willfulness is required. The court addressed this issue when it was raised in the '176 motion and will not repeat that reasoning here.

addition to the arguments made above, the court notes that the plaintiff did indeed attack the merits of the defendants' prior art references and the failure of the defendants' witnesses to show how the prior art invalidated each of the claims of the '265 patent, despite the fact that the defendants argue otherwise. The defendants had the burden to prove invalidity by clear and convincing evidence. The court believes that the jury was entirely reasonable in finding that the defendants did not meet their burden, with or without the date of invention instruction. Therefore, the court denies the defendants' JMOL on invalidity.⁷

c. New Trial

The defendants recite a laundry list of 17 reasons why this court should grant them a new trial. See Dkt. 557, pp. 2-3. There was little, if any, argument on the majority of these reasons in the defendants' supporting memorandum, and the plaintiff responded with just as little argument in opposition. Therefore, the court will not spend considerable time addressing them. After full consideration of the reasons, despite the essentially non-existent supporting argument, the court denies the defendants' request.

3. eBay and Half.com's Renewed Motion to Strike Testimony of Plaintiff's Damages Experts, Motion for New Trial, or Motion for Judgment as a Matter of Law.

In their final motion, the defendants renew the motion made during trial to strike the testimony of Messrs. Troxel and Evans as it does not meet the standard set forth in Federal Rule of

⁷ The defendants also argue that the plaintiff misstated the law on the defendants' section 112 defense which likely caused the jury to disregard Dr. Crocker's testimony because he had never looked at the '265 patent claims. However, this is pure speculation, as the jury deliberated for three days on the numerous issues put to them in the special verdict form. It is very possible that the jury simply didn't find Dr. Crocker credible, or felt that his testimony didn't help the defendants meet their burden by clear and convincing evidence. Therefore, JMOL on this ground is similarly denied.

Evidence 702 or Daubert v. Merrell Dow Pharm., Inc., 509 U.S. 579, 113 S. Ct. 2786 (1993). In addition, based on a number of other errors and inconsistencies with respect to the jury's damages award, the defendants argue that the court should order a new trial on damages. The court will address each of the grounds of this Motion in turn.

a. Expert Testimony

The defendants argue that these experts used gross merchandise sales ("GMS") as the royalty base in computing the reasonable royalty due to the plaintiff for the defendants' infringement of the patents at issue. Specifically, the defendants contend that the court should strike the testimony and grant either a new trial or judgment as a matter of law because Mr. Evans and Mr. Troxel admitted that they (1) had never used GMS as a royalty base before; (2) had never seen GMS used as a base before; (3) conducted no studies to determine the reliability of GMS; (4) were not aware of any studies testing GMS reliability; and (5) did not know whether \$2 billion worth of goods listed on eBay and assumed sold were included in GMS. The plaintiff counters, arguing that the experts properly applied the Georgia-Pacific factors to compute the reasonable royalty and the defendants are merely attacking the experts' factual conclusions rather than their methodology. Georgia-Pacific Corp. v. U.S. Plywood Corp., 318 F. Supp. 1116 (S.D.N.Y. 1970), modified and affirmed, 446 F.2d 295 (2d Cir. 1971).

Rule 702 provides that expert testimony is admissible only if "(1) the testimony is based upon sufficient facts or data; (2) the testimony is the product of reliable principles and methods; and (3) the witness has applied principles and methodology reliably to the facts of the case." Fed. R. Evid. 702; see also Daubert, 509 U.S. at 591. In Daubert, the Court charged trial judges with the responsibility of acting as gatekeepers to exclude unreliable expert testimony. Daubert set forth a

non-exclusive checklist for courts to use in assessing the reliability of expert testimony, including:

- (1) whether the expert's technique or theory can be or has been tested – that is, whether the expert's theory can be challenged in some objective sense, or whether it is instead simply a subjective, conclusory approach that cannot reasonably be assessed for reliability;
- (2) whether the technique or theory has been subject to peer review and publication;
- (3) the known or potential rate of error of the technique or theory when applied;
- (4) the existence and maintenance of standards and controls; and
- (5) whether the technique or theory has been generally accepted in the scientific community.

509 U.S. at 592-95. The Court later emphasized that the Daubert inquiry is “a flexible one” and that the analysis will depend on the nature of the issue, the witness's expertise, and the subject of the testimony. Kumho Tire Co. v. Carmichael, 526 U.S. 137, 150, 119 S.Ct. 1167 (1999). The Court also explained that the principles of Daubert apply not only to scientific testimony, but to all expert testimony. Id. at 149. Rule 702 was amended in 2000 to comport with the principles set forth in Daubert and Kumho Tire.⁸

⁸ The Advisory Committee Notes to Rule 702 list some other factors courts have considered relevant in determining whether the expert testimony is sufficiently reliable. These include:

- (1) Whether experts are proposing to testify about matters growing naturally and directly out of research they have conducted independent of the litigation, or whether they have developed their opinions expressly for purposes of testifying.
- (2) Whether the expert has unjustifiably extrapolated from an accepted premise to an unfounded conclusion. See General Elec. Co. v. Joiner, 522 U.S. 136, 146 (1997).
- (3) Whether the expert has adequately accounted for obvious alternative explanations. See Clair v. Burlington N.R.R., 29 F.3d 499 (9th Cir. 1994).

(continued on next page)

As the court stated during trial when this issue arose, the first prong of Rule 702 requires that the testimony is based upon sufficient facts or data. In this case, Mr. Evans⁹ stated that he chose GMS as a royalty base because, based on his expertise in the area of patent licensing, it was the most reliable figure, it was used in eBay's own financial reports, it was used in other MercExchange license agreements,¹⁰ and, in his opinion, it was more reliable in the e-commerce field. His reasons for using this basis, as well as his reasons for not using another basis such as revenue, were challenged on cross-examination by the defendants. See Daubert, 509 U.S. at 595 ("[v]igorous cross-examination, presentation of contrary evidence, and careful instruction on the burden of proof are the traditional and appropriate means of attacking shaky but admissible evidence."). Thus, his decision to use GMS was able to be challenged by the defendants. What remained was whether the jurors found his reasons for using GMS credible.

The second prong of Rule 702 requires that the testimony is the product of reliable principles and methods. The Federal Circuit has repeatedly "endorsed the conceptual framework of a hypothetical negotiation between patentee and infringer as a means for determining a reasonable

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- (4) Whether the expert is being as careful as he would be in his regular professional work outside his paid litigation consulting.
 - (5) Whether the field of expertise claimed by the expert is known to reach reliable results for the type of opinion the expert would give.

⁹ It was Mr. Evans who determined that GMS was an appropriate royalty base in this case. Mr. Troxel simply applied that to the defendants' specific financial information. Therefore, the court will focus on Mr. Evans' testimony with respect to this Motion.

¹⁰ While it is true that GMS was not used in the plaintiff's other licensing agreements, as was discovered during the cross-examination of Mr. Evans and Mr. Troxel, the jury was able to consider the other factors given by Mr. Evans as to why he used GMS. They were entitled to give whatever weight they thought appropriate to this decision.

royalty.” Micro Chemical, Inc. v. Lextron, Inc., 317 F.3d 1387, 1393 (Fed. Cir. 2003)¹¹ (quoting Interactive Pictures Corp. v. Infinite Pictures, Inc., 274 F.3d 1371, 1384 (Fed. Cir. 2001)). While the defendants disagree that during such a hypothetical negotiation they would have agreed to any royalty based on GMS as opposed to revenue, this was a question of fact for the jury to decide. As the Advisory Committee notes, Daubert was “not intended to serve as a replacement for the adversary system.” Finally, the third prong of 702 requires that the witness has applied principles and methodology reliably to the facts of the case. As stated above, Mr. Evans chose GMS based on the analysis of the defendants’ financial reports. It was his opinion that in this case, GMS was a more reliable and accurate number than revenue, especially since eBay itself uses GMS to calculate its commission for the sale of the items. While it may be true that the experts were unsure whether GMS included failed transactions, the defendants were given a full opportunity to cross-examine them on this issue. The jury clearly chose to believe that the experts were reasonable in choosing GMS.

Furthermore, Mr. Evans has negotiated numerous license agreements and has testified as an expert in many other disputes where a reasonable royalty is utilized. As stated in the Advisory

¹¹ In Micro Chemical, the Federal Circuit was asked to decide whether the testimony of a damages expert should have been excluded based on the use of an unreliable method to obtain a reasonable royalty. 317 F.3d at 1393. In affirming the district court’s decision to allow the expert to testify, the Federal Circuit stated that the expert had “properly applied the accepted Georgia-Pacific methodology to [the plaintiff’s] version of the disputed facts, explaining the effect each factor would have on a negotiated royalty.” Id. While the defendants continued to argue that the court should not have permitted the expert to consider sales of the defendants’ other products in arriving at a reasonable royalty, the court held that because the expert properly utilized the Georgia-Pacific test in arriving at his opinions, his analysis as to the reasonable royalty was a “factual issue” and “not grounds for excluding his testimony under Rule 702.” Id. Likewise here, Mr. Evans explained why he chose to use GMS rather than revenue as a royalty base in arriving at his reasonable royalty. While the defendants may disagree with his theory of damages, it was a factual issue for the jury to decide.

Committee Notes, “[i]f the witness is relying solely or primarily on experience, then the witness must explain how that experience leads to the conclusion reached, why that experience is a sufficient basis for the opinion, and how that experience is reliably applied to the facts.” Thus, while Mr. Evans’ experience in and of itself is insufficient to form a reliable opinion, his experience along with his explanations as to how he applied his experience to the facts of this case is sufficient to meet the Daubert test. For example, while Mr. Evans himself may never have used GMS in calculating a reasonable royalty, his reasons for choosing GMS in this case appear to meet the threshold level required under Daubert. The defendants’ argument that GMS is not a common royalty base is not sufficient to exclude the testimony under Daubert. See generally Daubert v. Merrell Dow Pharmaceuticals, Inc., 43 F.3d 1311, 1318 (9th Cir. 1995) (scientific experts might be permitted to testify if they could show that the methods they used were also employed by “a recognized minority of scientists in their field.”). In addition, whether or not Mr. Evans or Mr. Troxel performed studies or surveys to determine whether the use of GMS was appropriate in this case is insufficient to exclude the testimony.

Therefore, because the defendants were able to cross-examine Mr. Evans and Mr. Troxel on their methods and principles in arriving at their opinions, what remained was a question of fact for the jury to decide. The defendants offered the testimony of Mr. Weinstein to counter the plaintiff’s experts. Mr. Weinstein offered four alternative amounts for damages, including (1) \$14,500, which reflects the design-around cost;¹² (2) \$50,000, which reflects the valuation of the plaintiff-company

¹² Mr. Weinstein testified that eBay could design around the claims of the ‘265 patent in 200 hours, and that Half.com could design around the claims of the ‘265 patent in 100 hours and the claims of the ‘176 patent in 100 hours. Tr. 2525:12-14. When multiplied by the cost per hour that would have been incurred, Mr. Weinstein arrived at a total of \$14,500 for the defendants to completely design around the claims of the two patents at issue. Tr. 2525:15-19.

for tax purposes; (3) \$2.5 million, which amounts to the valuation of the plaintiff-company in a stock exchange with Aden Enterprises; and (4) \$2.4 million, which utilizes the royalty rate determined by Mr. Evans and applies it to the defendants' revenue as opposed to GMS. The jury was entitled to weigh the experts' credibility and determine whether the use of GMS was appropriate in this case. This does not represent testimony that was so unreliable as to warrant its exclusion by the court. Therefore, the defendants' Renewed Motion to Strike the Testimony is denied.

b. Resubmission of Verdict Form to Jury

When the jury initially came back with a verdict, the court reviewed it and noted an inconsistency. Specifically, the jury found no indirect infringement of the '176 patent by either defendant, and yet, awarded a total of \$5 million in damages for this infringement. The court informed the jury of this inconsistency in general terms, referring only to the page numbers relating to the inconsistency. The parties did not object to this at the time. Shortly thereafter, the jury sent a note to the court, asking if they could adjust the other damages figures after curing the inconsistency. The court permitted them to do this. Again, there were no objections from either party at this time. When the jury finally returned with the verdict, they had increased the damages for the direct infringement of the '265 patent by \$5 million. The defendants now argue that the court erred by resubmitting the verdict form to the jury to be amended. The defendants rely on the Fourth Circuit case of McCollum v. Stahl, 579 F.2d 869 (4th Cir. 1978).

In McCollum, the plaintiffs sued the defendant for alleged violations of their constitutional rights pursuant to 42 U.S.C. § 1983. Id. at 869. When the jury returned their verdict, they found that the defendant was not liable for his actions; however, they awarded punitive damages for his malicious conduct. Id. at 870. Noting the inconsistency, the court resubmitted the verdict to the jury

with the instructions that if they answered no to the liability question, they were not to answer any further questions. Id. Upon returning, the jurors found the defendant liable for his actions and awarded damages. Id. at 871. On appeal, the Fourth Circuit held that because the special verdict was prepared pursuant to Federal Rule of Civil Procedure 49(a), “the resubmission was procedurally impermissible.” Id. The court held that “the remand of the questions to the jury was tantamount, in its effect, to a direction to the jury to find liability in order to warrant the award of damages.” Id.

However, this case can be distinguished from McCollum. First, when the court resubmitted the verdict form to the jury, the court did not further instruct the jury as to how to complete the form. Rather, the court merely noted the pages that the errors were on and told the jurors to read the instructions therein carefully. Other courts have noted their approval of resubmitting a verdict form to the jury where errors were made despite explicit instructions on the form. See, e.g., Duk v. MGM Grand Hotel, Inc., 320 F.3d 1052, 1057 (9th Cir. 2003). Second, the jury did not change their finding on liability in order to award damages. This circuit has distinguished McCollum in instances where “[r]esubmission did not direct the jury to find liability.” Taylor v. Home Ins. Co., 777 F.2d 849, 858 (4th Cir. 1985); see also Hafner v. Brown, 983 F.2d 570, 575 (4th Cir. 1992) (“If the district judge concludes that an inconsistent verdict reflects jury confusion or uncertainty, he or she has the duty to clarify the law governing the case and resubmit the verdict for a jury decision.”). Therefore, this court finds that the resubmission of the verdict to clarify an inconsistent verdict was not erroneous. The defendants’ Motion for a New Trial on this ground is denied.

c. Damage Award in Excess of Reasonable Royalty

The defendants also argue that because damages awarded were greater than that found to be reasonable by these experts, that the damages are not supported by substantial evidence. For

example, the defendants note that the plaintiff asked for \$3,960,518 for Half.com's direct infringement of the '265 patent, relying on the experts' opinions as to a reasonable royalty. However, the jury awarded the plaintiff \$14.5 million in damages for Half.com's direct infringement of the '265 patent. The defendants point out that this is 3.5 times the amount that the plaintiff's experts said was appropriate and reasonable. In total, the defendants maintain that the jury verdict represents damages that are \$15,824,834 over the amount the plaintiff's experts found reasonable.

Once patent infringement is found, a jury may award a patentee "damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer." 35 U.S.C. § 284. The Federal Circuit has held that "[t]he objective of the reasonable royalty calculation is to determine the amount necessary to adequately compensate for an infringement." Maxwell v. J. Baker, Inc., 86 F.3d 1098, 1109 (Fed. Cir. 1996). In other words, the reasonable royalty represents the floor to damages, not the ceiling. "A reasonable royalty calculation envisions and ascertains the results of a hypothetical negotiation between the patentee and the infringer at the time before the infringing activity began." Integra Lifesciences I, Ltd. v. Merck KGaA, 331 F.3d 860, 869 (Fed. Cir. 2003) (citing Riles v. Shell Exploration & Prod. Co., 298 F.3d 1302, 1311 (Fed. Cir. 2002)). "This 'hypothetical negotiation' is often referred to as a willing licensor and licensee negotiation. However,... this is an 'absurd' characterization of the determination when the parties were previously unable to come to an agreement, i.e., were not 'willing'...." Maxwell, 86 F.3d at 1109 (citing Rite-Hill Corp. v. Kelley Co., 56 F.3d 1538, 1554 (Fed. Cir. 1995)). As a result of this reality,

the fact finder may consider additional factors to assist in the determination of adequate compensation for the infringement. These factors include royalties received by the patentee for the licensing of the patent in suit, opinion testimony of qualified experts, the patentee's

relationship with the infringer, and other factors that might warrant higher damages. The fact that an infringer had to be ordered by a court to pay damages, rather than agreeing to a reasonable royalty, is also relevant.

Id. at 1109-1110 (citing Georgia-Pacific, 318 F. Supp. at 1120).

Based on this, the court finds that the jury was entitled to calculate an amount they believed compensated the plaintiff for the defendants' infringement. That this amount is greater than the plaintiff asked for is of no consequence. The jury was entitled to consider these other factors in determining what amount of damages would compensate the plaintiff. See Maxwell, 86 F.3d at 1110 (finding that the jury was entitled to award additional damages to adequately compensate the plaintiff). As such, the defendants' Motion for a New Trial on this ground is denied.

d. ReturnBuy Issues: Double Counting and Post-License Damages

Finally, the defendants argue that the damages awarded based on eBay's inducement of ReturnBuy's infringement are improper for two reasons. First, the defendants contend that because ReturnBuy is a "power seller" on eBay, all of their GMS are included in eBay's GMS calculation and thus, awarding separate damages amounts to double counting. The plaintiff argues that the separate damages awarded based on eBay's inducement of ReturnBuy are appropriate because ReturnBuy (1) expected a commission of between 20% and 50% of their fixed-price GMS, and (2) was a power seller with direct access to eBay's web site which allowed it to post goods for sale in bulk on eBay. However, these arguments would only prevail if revenue were used as the royalty base because ReturnBuy would have had a separate revenue figure. As stated above, GMS was used and as such, the plaintiff cannot now receive damages on the same act of infringement. ReturnBuy lists goods on eBay and therefore, those goods are incorporated into eBay's GMS. To allow Mr. Troxel to then compute what ReturnBuy's GMS may have been (as no actual number was available) and

assess more damages on that GMS is improper. Therefore, the damages awarded to the plaintiff for eBay's inducement of ReturnBuy to infringe the '265 patent, \$5.5 million, will be stricken from the jury's damage award.

The defendants also argue that because ReturnBuy entered into a license agreement with the plaintiff in December of 2002, yet Mr. Troxel included damages up to March of 2003, the plaintiff should not be entitled to those additional three months of damages. However, as the plaintiff pointed out, neither party asked the court for a special verdict form broken down by months of infringement. As such, the defendants have waived this argument.

B. Plaintiff's Motions

1. Motion for Entry of a Permanent Injunction Order.

In the plaintiff's first motion, it seeks a permanent injunction order to prevent the defendants from further infringing on its patents. The plaintiff has prepared a Proposed Permanent Injunction Order ("Proposed Order"), which it has supplied to the court. The defendants object to the grant of a permanent injunction order in general, and raise specific objections to the plaintiff's Proposed Order as being vague and overly broad. The defendants also note that if the court grants an injunction, they reserve the right to move to stay such an injunction pending appeal.

Once infringement and validity of the patents have been established, a district court is authorized to grant a permanent injunction against the infringer. 35 U.S.C. § 283. In fact, the grant of injunctive relief against the infringer is considered the norm; however, the decision to grant or deny injunctive relief remains within the discretion of the trial judge. See W.L. Gore & Assoc., Inc. v. Garlock, Inc., 842 F.2d 1275, 1281 (Fed. Cir. 1988); see also Odetics, Inc. v. Storage Tech. Corp., 14 F. Supp. 2d 785, 788 (E.D. Va. 1998), aff'd, 185 F.3d 1259 (Fed. Cir. 1999) ("The issuance of

an injunction following a verdict of infringement is not automatic; however, district courts must instead follow the traditional equitable principles that guide the decision whether to enjoin certain conduct.”). The Federal Circuit has indicated that “an injunction should issue once infringement has been established unless there is a sufficient reason for denying it.” W.L. Gore, 842 F.2d at 1281. The rationale behind this stems from the concept of the property rights of patent holders. “It is contrary to the laws of property, of which the patent law partakes, to deny the patentee’s right to exclude others from use of his property. The right to exclude recognized in a patent is but the essence of the concept of property.” Richardson v. Suzuki Motor Co., 868 F.2d 1226, 1246-47 (Fed. Cir. 1989). “Issuance of injunctive relief against [the defendants] is governed by traditional equitable principles, which require consideration of (i) whether the plaintiff would face irreparable injury if the injunction did not issue, (ii) whether the plaintiff has an adequate remedy at law, (iii) whether granting the injunction is in the public interest, and (iv) whether the balance of the hardships tips in the plaintiff’s favor.” Odetics, 14 F. Supp. 2d at 794 (citing Weinberger v. Romero-Barcelo, 456 U.S. 305, 312, 102 S. Ct. 1798 (1982)).

a. Irreparable Harm

The plaintiff argues that it will suffer irreparable harm if an injunction does not issue as the defendants will continue to infringe on its property rights. Courts have held that when, as here, “validity and continuing infringement have been clearly established ... immediate irreparable harm is presumed.” Odetics, 14 F. Supp. 2d at 794 (quoting Smith Int’l Inc. v. Hughes Tool Co., 718 F.2d 1573, 1581 (Fed. Cir. 1983)). Notwithstanding the presumption of irreparable harm, the plaintiff notes a number of specific ways in which it will be harmed if the defendants are not enjoined from their infringing conduct. These include being “deprived of its ability to either pursue the

development of its inventions under the protection of its patent rights, or to have the exclusive right to license its patented technology to others on the most beneficial terms available." Dkt. 562, p. 6.

The defendants, on the other hand, maintain that infringement and validity were not "clearly established" as the court indicated it had some reservations as to the plaintiff's case when it ruled upon the defendants' initial Rule 50 Motion. However, as courts have repeatedly held, "a clear showing of validity and infringement is satisfied where those issues have been tried and the factfinder has determined that the patent in question was infringed and is not invalid." Boehringer Ingelheim Vetmedica, Inc. v. Schering-Plough Corp., 106 F. Supp. 2d 696, 701 (D.N.J. 2000) (citing Polymer Tech., Inc. v. Bridwell, 103 F.3d 970, 973 (Fed. Cir. 1996) and Reebok Intern. Ltd. v. J. Baker, Inc., 32 F.3d 1552, 1556 (Fed. Cir. 1994)). In this case, the jury has spoken and the court has denied the defendants' motions for judgment as a matter of law and for a new trial. Therefore, the clear showing of validity and infringement has been met.

However, as the defendants point out, this merely establishes a presumption of irreparable harm. This presumption may be rebutted by factors such as whether the infringer has ceased its infringing activity, whether the patentee has granted licenses in the past such that it can be compensated for the infringement, and whether the patentee delayed in bringing the lawsuit. Id. at 701-702 (citing Polymer, 103 F.3d at 974). In order to rebut this presumption, the defendants first argue that they do not practice the infringing acts of the '176 and '265 patents. However, as this court previously stated, a jury has spoken on this issue and thus, this argument is not persuasive. The defendants next argue that there was evidence adduced at trial proving that the plaintiff is willing to license or sell its patents. On this point, the defendants are correct. Substantial evidence was adduced at trial showing that the plaintiff does not practice its inventions and exists merely to license

its patented technology to others. Indeed, the plaintiff has made numerous comments to the media before, during, and after this trial indicating that it did not seek to enjoin eBay but rather sought appropriate damages for the infringement.¹³ The Federal Circuit has observed that “the lack of commercial activity by the patentee is a significant factor in the calculus” of whether the patentee will suffer irreparable harm absent an injunction. High Tech Medical Instrumentation, Inc. v. New Image Indus., Inc., 49 F.3d 1551, 1556 (Fed. Cir. 1995). In the case at bar, the evidence of the plaintiff’s willingness to license its patents, its lack of commercial activity in practicing the patents, and its comments to the media as to its intent with respect to enforcement of its patent rights, are sufficient to rebut the presumption that it will suffer irreparable harm if an injunction does not issue. Moreover, the plaintiff never moved this court for a preliminary injunction. If it believed that it was suffering irreparable harm by the defendants’ continued infringement of its patents, such a motion would have been appropriate. This fact, while certainly not dispositive of the issue, lends additional weight in support of the defendants’ arguments that the plaintiff will not be irreparably harmed absent an injunction. Therefore, after consideration of all the facts in this case, the court believes that the plaintiff will not suffer irreparable harm if the injunction does not issue. As such, this factor tips against an injunction.

¹³ See, e.g., Article, Patent Suit Could Sting eBay, Sept. 5, 2002 at <http://news.com.com/2100-1017-956638.html> (“We are seeking reasonable royalties as permitted under the patent laws. It’s not our goal to put eBay out of business. It’s our goal to provide just compensation for the patent owner.”) (quoting Scott Robinson, attorney for MercExchange); Article, eBay-Contested MercExchange Patents are on the Block, May 30, 2003 at <http://www.auctionbytes.com/cab/abn/y03/m05/i30/s01> (“[I]t is not our goal to enforce these patents, we want to sell off our Intellectual Property rights.”) (quoting Mr. Woolston, inventor of the patents at issue).

b. Adequate Remedy at Law

The plaintiff argues that it has no adequate remedy at law. The plaintiff points to an excerpt from a Federal Circuit case stating that

[w]ithout the injunctive power of the courts, the right to exclude granted by the patent would be diminished, and the express purpose of the Constitution, to promote the progress of the useful arts, would be seriously undermined. The patent owner would lack much of the leverage, afforded by the right to exclude, to enjoy the full value of his invention in the market place. Without the right to obtain an injunction, the right to exclude granted to the patentee would have only a fraction of the value it was intended to have, and would no longer be as great an incentive to engage in the toils of scientific and technological research.

Smith Int'l, 718 F.2d at 1577-78. On the other hand, the defendants note that money damages are an adequate remedy to compensate the plaintiff for any continuing infringement. See Foster v. American Mach. & Foundry Co., 492 F.2d 1317, 1324, 182 U.S.P.Q. 1 (2d Cir. 1974) (finding that a compulsory royalty was the appropriate remedy); Boehringer, 106 F.3d at 704 ("This is not to say that money damages are never adequate..."). As stated above, the plaintiff has licensed its patents to others in the past and has indicated its willingness to license the patents to the defendants in this case. See supra n. 13. The Federal Circuit has held that evidence showing that the patent holder is willing to license his patent rights "suggests that any injury suffered by [the patent holder] would be compensable in damages assessed as part of the final judgment in the case." High Tech, 49 F.3d at 1557. While the court is aware that many cases state that monetary damages are typically inadequate because it limits the patent holder from exercising its monopoly power, this is certainly an atypical case. Therefore, the court finds that in this particular case, the plaintiff has an adequate remedy at law, a factor weighing against the injunction.

c. Public Interest

As Judge Ellis stated in Odetics, "[t]he public-interest factor often favors the patentee, given

the public's interest in maintaining the integrity of the patent system." 14 F. Supp. 2d at 795. While this is certainly the norm, there are instances where it is not in the public interest to enjoin the infringer's activities. For example, courts have denied injunctions where the infringed product was necessary for medical purposes. See, e.g., Datascope Corp. v. Kontron, Inc., 786 F.2d 398, 401 (Fed. Cir. 1986) (catheter used for treatment of heart patients). Courts have also declined to enjoin an infringer's actions where the granting of an injunction would cause the infringer "irreparable hardship..., without any concomitant benefit to the patentee," finding such a result to be "inequitable." Foster, 492 F.2d at 1324. The plaintiff argues that in this case, there is not countervailing public interest that would be served through a denial of an injunction. The defendants disagree. The defendants argue that the public interest is not furthered by enjoining activities based on improvidently granted patents, again stating that because this court called the infringement and validity issues "close calls," the patents are suspect and an injunction should not issue. However, the jury returned a verdict upon which this court will enter judgment. Thus, this argument does not show that the public interest is in favor of denying the injunction.

The defendants also argue that because there is a growing concern over the issuance of business-method patents, which forced the PTO to implement a second level review policy, see, e.g., Testimony of Q. Todd Dickinson, Tr. 1203:8-1204:22, and caused legislation to be introduced in Congress to eliminate the presumption of validity for such patents, see, e.g., Business Method Improvement Act of 2001, H.R. 1332, 107th Cong., Apr. 3, 2001, the public interest would not be served by such an injunction. While this argument is certainly not dispositive, it lends significant weight against the imposition of an injunction, particularly in this case where the patentee does not practice its patents, nor has any intention of practicing its patents. Moreover, in a case such as this,

the public does not benefit from a patentee who obtains a patent yet declines to allow the public to benefit from the inventions contained therein. See, e.g., Testimony of Q. Todd Dickinson, Tr. 1131: 8-10 (stating that the ability to patent an invention via the patent system is important “[b]ecause it allows other people to improve that invention, to build on it, and so building moves all technology, moves the system forward....”). In sum, the court believes the public interest factor equally supports granting an injunction to protect the plaintiff’s patent rights, and denying an injunction to protect the public’s interest in using a patented business-method that the patent holder declines to practice.

d. Balance of the Hardships

As expected, each party argues that the balance of the hardships tips in their favor. Upon review of the record and factors listed above, the court is of the opinion that the balance tips slightly in the defendants’ favor. The plaintiff’s patents have been found valid and willfully infringed by the defendants. While it is important to respect the rights of the patent holder, in this case, the plaintiff exists solely to license its patents or sue to enforce its patents, and not to develop or commercialize them. Any harm suffered by the plaintiff by the defendants’ infringement of the patents can be recovered by way of damages. See generally Foster, 492 F.2d at 1324 (affirming district court’s denial of permanent injunction where, after assessing the relative equities, the court properly concluded that the patentee would benefit from a compulsory royalty). If the court did enjoin the defendants here, the court would essentially be opening a Pandora’s box of new problems. This case has been one of the more, if not the most, contentious cases that this court has ever presided over. From day one the parties have been unable to agree on anything, in fact, the only agreed stipulation at trial was that this court had subject matter jurisdiction. The court predicts that if it granted the plaintiff’s request for a permanent injunction, the battle would continue to be as contentious as ever.

For example, the defendants have argued that they can design around the patents with relative ease. The plaintiff, on the other hand, continues to strenuously assert that such a design around is impossible. See Dkt. 593, p. 7 (“MercExchange, of course, does not believe the proposed ‘design-arounds’ avoid infringement.... Nothing, however, prevents Defendants from implementing a ‘true’ design-around of the patents, if they can. But the evidence to date suggests that they cannot.”). The court envisions contempt hearing after contempt hearing requiring the court to essentially conduct separate infringement trials to determine if the changes to the defendants’ systems violates the injunction. This will result in extraordinary costs to the parties, as well as considerable judicial resources. In fact, the court would most likely be required to retain an expert in the field in order to determine if the new systems infringe on the patent. While the court understands that these reasons alone are not sufficient to deny an injunction to a patent holder, they are simply factors the court must consider when balancing the equities in this highly unusual case.

Moreover, the court notes that if the defendants continue to infringe the plaintiff’s patents, the court will be more inclined to award enhanced damages for any post-verdict infringement. See, e.g., Stryker Corp. v. Davol Inc., 234 F.3d 1252, 1259 (Fed. Cir. 2000) (affirming district court’s award of enhanced damages for post-verdict infringement as reasonable); Corning Glass Works v. Sumitomo Electric Research Triangle, Inc., 671 F. Supp. 1369, 1401, 5 U.S.P.Q.2d 1545 (S.D.N.Y. 1987) (“To proceed [after an infringement determination] to manufacture and sell the same [infringing product] without changes designed to avoid infringement can only be construed as outright defiance or baseless optimism... [which entitles the patentee] to recover increased damages.”). Thus, the plaintiff certainly will be compensated for any actions by the defendants in the absence of an injunction. Therefore, after consideration of all the factors discussed above, it

appears that the balance of the hardships tips in favor of the defendants.

In sum, after consideration of all the arguments, the plaintiff's Motion for a Permanent Injunction is denied.

2. Motion to Enforce Judge Friedman's Injunction Order of February 26, 2003, and for Order to Show why Defendant eBay, Inc. Should Not be Held in Contempt for Facilitating Violations of Judge Friedman's Injunction Order of February 26, 2003.

In this Motion, the plaintiff alleges that defendant eBay has violated this court's February 26, 2003 injunction order by continuing to allow ReturnBuy and Jabil Global Services ("Jabil") to post items for sale on its website. Defendant eBay disputes that a show cause order is required, as ReturnBuy is no longer in business and the plaintiff has failed to show that Jabil is violating the injunction order or that eBay is inducing or aiding and abetting that violation.

On February 26, 2003, the court entered an injunction order against ReturnBuy, which was once a party to this action. In the order, the court stated that

ReturnBuy further agrees and stipulates that it, its officers, agents, servants, employees and attorneys, and any person in active concert or participation with them who receive actual notice of this judgment are permanently enjoined from infringing the above claims of the '265 Patent by making, using, selling or offering for sale a computer-implemented service, system, and/or process(es) which facilitates the posting of items or goods for sale or auction through or by an electronic online market or auction, that also employs a digital imaging means and a textual description of the item or good for sale or auction, and any colorable variation thereof.

Notwithstanding the foregoing, this injunction is subject to the separate License Agreement and Settlement Agreement entered into by and between MercExchange and ReturnBuy.

Nothing in this Order shall be construed as affecting, in any way, the claims or defenses that are currently being litigated between eBay, Half.com and MercExchange in this case.

Judgment and Order, Dkt. 278 (Feb. 26, 2003). After the court issued this order, the plaintiff

appealed the order based on the court's addition of the final sentence cited above. Upon motion to dismiss by the defendants, the Federal Circuit dismissed the appeal, holding that the plaintiff failed to show that there was a "serious, perhaps irreparable consequence or that the order can be effectually challenged only by immediate appeal." Dkt. 564, Ex. I, p. 3. The Federal Circuit noted that the plaintiff could always file a motion for contempt in the district court if it believed ReturnBuy violated the order. The plaintiff now seeks the court to enter a show cause order for eBay's violation of this injunction order.

The Fourth Circuit has held that

[t]o establish civil contempt, each of the following elements must be shown by clear and convincing evidence: (1) the existence of a valid decree of which the alleged contemnor had actual or constructive knowledge; (2) ... that the decree was in the movant's "favor"; (3) ... that the alleged contemnor by its conduct violated the terms of the decree, and had knowledge (at least constructive knowledge) of such violations; and (4) ... that [the] movant suffered harm as a result.

Ashcraft v. Conoco, Inc., 218 F.3d 288, 301 (4th Cir. 2000); see also In re General Motors Corp., 61 F.3d 256, 258 (4th Cir. 1995) ("The burden is on the complainant to prove civil contempt by clear and convincing evidence."). In patent cases, a court must make two determinations before entering a finding of contempt. "The first is whether a contempt hearing is an appropriate forum in which to determine whether a redesigned device infringes, or whether the issue of infringement should be resolved in a separate infringement action.... [T]he second question ... is whether the new accused device infringes the claims of the patent." Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc., 154 F.3d 1345, 1349 (Fed. Cir. 1998) (citing KSM Fastening Sys., Inc. v. H.A. Jones Co., 776 F.2d 1522, 1530-32 (Fed. Cir. 1985)). However, it remains within the court's "broad discretion to determine how to best enforce its injunctive decrees." Id.

In this case, the plaintiff alleges that because all of ReturnBuy's assets, except for the license agreement with MercExchange, were sold to Jabil following ReturnBuy's dissolution in bankruptcy, and because Jabil continues to list items for sale under ReturnBuy's name on eBay's website, that it is in contempt of this court's order. Moreover, the plaintiff argues that eBay is also in contempt for permitting Jabil to continue to post items for sale on its website. However, the only evidence with respect to this before the court is (1) ReturnBuy's assets were sold to Jabil; (2) Jabil sold items under ReturnBuy's name following the entry of the injunction; (3) Jabil sold the items on the eBay website; and (4) following the jury's verdict in this case, no items are being sold under either ReturnBuy or Jabil's names on eBay. This evidence is a far cry from the clear and convincing evidence necessary for this court to issue a show cause order. The plaintiff has offered nothing to show that Jabil is utilizing the same infringing methods that ReturnBuy used. The first step in the Federal Circuit's test to determine contempt is to determine whether a redesigned product infringes the patent. "That decision turns on a comparison between the original infringing product and the redesigned device." *Id.* The plaintiff assumes that because Jabil is using many of ReturnBuy's assets and business practices that it is indeed infringing. Furthermore, the plaintiff assumes that eBay is somehow aiding and abetting this infringement. However, the court is not willing to make these assumptions at this time. Therefore, the plaintiff's Motion is denied.

3. Renewed Motion for Judgment as a Matter of Law.

In this Renewed Motion, the plaintiff seeks JMOL that the claims of the '176 and '265 patents are valid. Specifically, the plaintiff argues that the jury's verdict demonstrates that no reasonable jury could determine that (1) the '176 and '265 patents are invalid for failure to comply with the enablement or written description requirements of section 112; (2) the '176 patent is invalid

due to anticipation or obviousness; or (3) the '265 patent is invalid due to anticipation or obviousness. The plaintiff contends that these issues should not be retried if the case is remanded to this court for another trial. The defendants on the other hand object to the renewed motion for JMOL, asserting that the court should enter JMOL in their favor regarding the invalidity of the patents.

Rule 50(b) states that if a verdict was returned, the court has three options when ruling on a renewed motion for JMOL. It can allow the judgment to stand, order a new trial, or direct entry of judgment as a matter of law. Fed. R. Civ. P. 50(b). In this case, the plaintiff has essentially reargued its opposition to the defendants' renewed motions for JMOL, which are discussed above. The court finds that there was substantial evidence presented by the defendants to contest the validity of the patents at issue. The jury found that this evidence was not clear and convincing. However, such a finding by this jury does not mean that no reasonable jury would have viewed the evidence in the same way. As such, this court will not direct the entry of JMOL, but rather allow the jury's verdict to stand. Therefore, the plaintiff's Motion is denied.

4. Motion for Prejudgment and Postjudgment Interest.

Next the plaintiff moves for prejudgment and postjudgment interest. The defendants do not object to the imposition of postjudgment interest pursuant to 28 U.S.C. § 1961(a). As such, the court grants the plaintiff's Motion for Postjudgment Interest. The defendants do object to the plaintiff's Motion for Prejudgment Interest, specifically the interest rate and method of compounding requested by the plaintiff.

The award of prejudgment interest is permitted by 35 U.S.C. § 284. The Supreme Court interpreted this statute and held that "prejudgment interest should ordinarily be awarded... to ensure

that the patent owner is placed in as good a position as he would have been in had the infringer entered into a reasonable royalty agreement." General Motors Corp. v. Devex Corp., 461 U.S. 648, 655, 103 S. Ct. 2058 (1983); accord Bio-Rad Labs., Inc. v. Nicolet Instrument Corp., 807 F.2d 964, 969 (Fed. Cir. 1986). The Court reasoned that "[a]n award of interest from the time that the royalty payments would have been received merely serves to make the patent owner whole, since his damages consist not only of the value of the royalty payments but also of the foregone use of the money between the time of infringement and the date of the judgment." Devex, 461 U.S. at 655-56. While prejudgment interest is ordinarily awarded, this court is aware that there may be circumstances where such an award is not appropriate. Id. at 657. However, in this case, the court believes that there are no circumstances that indicate an award of prejudgment interest is not appropriate and will grant the plaintiff's Motion for Prejudgment Interest.

The next step is to determine the interest rate and compounding method to be used to compute the prejudgment interest. The plaintiff seeks prejudgment interest using prime rate compounded quarterly. The plaintiff provides no reason why prime rate should be used; however, it does suggest that because the defendants provide their financial data on a quarterly basis as required, compounding the interest quarterly is appropriate. The defendants, on the other hand, contend that the interest rate be no more than the one-year Federal Treasury rate, compounded annually. The defendants argue that this rate is appropriate because prejudgment interest "is awarded to compensate for the delay in payment of the damages, and not to punish the infringer." Underwater Devices Inc. v. Morrison-Knudsen Co., 717 F.2d 1380, 1389 (Fed. Cir. 1983). Moreover, the defendants maintain that this is appropriate because the plaintiff failed to provide any evidence that it was forced to borrow money at any higher rate, citing Laitram Corp. v. NEC Corp., 115 F.3d 947,

955 (Fed. Cir. 1997). While the plaintiff disputes that it is required to provide any evidence, based on another Federal Circuit case, see Uniroyal, Inc. v. Rudkin-Wiley Corp., 939 F.2d 1540, 1545 (Fed. Cir. 1991), the court finds the Laitram case persuasive because of its more recent date.

In this case, the court will apply an interest rate equal to the one-year Federal Treasury rate, compounded quarterly. The plaintiff has offered no evidence, even after the defendants raised the issue, that it was forced to borrow money at a rate equal to or above the prime rate. Furthermore, because the defendants are required to provide financial data on a quarterly basis, compounding the interest quarterly will be a relatively simple process.

5. Motion for Post-Verdict and Postjudgment Accounting.

In this Motion, the plaintiff seeks post-verdict and postjudgment accounting, including: (1) a monthly accounting from April 1, 2003 through the date of this order of gross merchandise sales for fixed-price goods; (2) supplemental compensatory damages from April 1, 2003 through the date of this order based upon the jury's reasonable royalty rates; (3) a determination of liability for the defendants' postjudgment sales of infringing services prior to the effective date of any injunction this court might enter; and (4) enhancement of supplemental damages. The defendants object to this request, arguing three main points. First, the defendants argue that the plaintiff has waived the right for an accounting as it failed to raise it in the Final Pretrial Order. The defendants cite Lucent Tech., Inc. v. Newbridge Networks Corp., 168 F. Supp. 2d 269, 273 (D. Del. 2001) for support. Second, the defendants maintain that pursuant to 28 U.S.C. § 1292(c)(2), the court should not take action on the accounting issue until after any appeals of the case are completed. Finally, the defendants contend that there is no reasonable royalty rate to use as the verdict form did not specify what royalty rate the jury utilized in determining the damages awarded.

With respect to the defendants' first argument, the plaintiff has not waived its right to seek an accounting, as it made the request in the initial complaint and the first amended complaint. The cases cited by the parties make it clear that provided the defendants received notice that the plaintiff would seek an accounting, it does not matter if it is not in the Final Pretrial Order as opposed to the complaint. See, e.g., Lucent, 168 F. Supp. 2d at 273 (barring the plaintiff from obtaining an accounting because it "did not request an accounting in the Final Joint Pretrial Order or in the Amended Complaint.").

The second and third arguments put forth by the defendants are more difficult to dismiss. Both of these arguments revolve around the complexity, expense and uncertainty surrounding the completion of an accounting. As stated above, the jury awarded the plaintiff more than it was asking in some circumstances, and less in others. Moreover, the verdict form did not include a question seeking the royalty rate used by the jury in determining the damage award. The defendants maintain that this uncertainty renders an accounting difficult, if not impossible. Given that this has the potential to create a litigation onto itself, the court will defer its ruling on this until after any appeals of this case are concluded. See 28 U.S.C. § 1292(c)(2) ("The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction of an appeal from a judgment in a civil action for patent infringement which ... is final except for an accounting."); see also McCullough v. Kammerer Corp., 331 U.S. 96, 98, 67 S. Ct. 1165 (1947). The court notes that the plaintiff will not suffer any great harm from this decision as the court will certainly consider awarding enhanced damages for any post-verdict infringement following the result of any appeal. See supra section II.B.1.d. Accordingly, this issue will be removed from the active docket pending appeal of the case to the Federal Circuit. Following any such appeal, the parties are instructed to ask the court to return the

matter to the active docket if necessary.

6. Motion for Enhanced Damages Under 35 U.S.C. § 284 and Attorney Fees Under 35 U.S.C. § 285.

In this motion, the plaintiff seeks enhanced damages based on the jury's finding of willful infringement. In addition, the plaintiff seeks the award of attorneys' fees. In response, the defendants claim that the court should enter judgment as a matter of law in their favor as there was insufficient evidence for a finding of willfulness. In the alternative, the defendants maintain that despite the finding of willfulness, enhanced damages and attorneys' fees are not warranted in this "close" case.

a. Enhanced Damages

"Upon a finding of willful infringement, a district court may, at its discretion, grant up to treble damages." Odetics, Inc. v. Storage Tech. Corp., 185 F.3d 1259, 1274 (Fed. Cir. 1999) (citing 35 U.S.C. § 284). However, "while willful infringement may allow enhanced damages, such finding does not compel the district court to grant them. Instead, the decision to grant or deny enhanced damages remains firmly within the scope of the district court's reasoned discretion, informed by the totality of the circumstances." Id. (internal citations omitted). "The paramount determination in deciding to grant enhancement and the amount thereof is the egregiousness of the defendant's conduct based on all the facts and circumstances." Read, 970 F.2d at 826. In determining whether a particular case requires enhanced damages, the Federal Circuit has provided a number of factors a court should consider. These include: (1) whether the infringer deliberately copied the ideas or design of another; (2) whether the infringer, when he knew of the other's patent protection, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was

not infringed; (3) the infringer's behavior as a party to the litigation; (4) the defendant's size and financial condition; (5) the closeness of the case; (6) the duration of the defendant's misconduct; (7) the remedial action by the defendant; (8) the defendant's motivation for harm; and (9) whether the defendant attempted to conceal its misconduct. See id. at 827. The plaintiff has alleged that many of these factors weigh in favor of enhancing the damages. The court will address each in turn.

(i) whether the infringer deliberately copied the ideas or design of another

The plaintiff alleges that the defendants, after receiving notice of the plaintiff's patents, copied the ideas contained therein. Specifically, the plaintiff argues that eBay's purchase of Half.com, PayPal, and the incorporation of the "Buy-It-Now" feature all contributes to the conclusion that the defendants were copying the ideas in the patents. The defendants maintain that their success did not arise from the use of anything contained in the plaintiff's patents. Moreover, the defendants argue that the patents offer no business or engineering guidance which the defendants could copy. This court agrees. While the jury found that there was insufficient evidence to find these patents invalid for lack of enablement, there was expert testimony describing the lack of source code and other features which would allow another to implement these patents. Moreover, eBay was using payment processors long before it received notice of the '265 patent, despite the fact that the purchase of PayPal occurred following that time. Therefore, the court finds that this factor does not weigh in favor of enhancing the damages.

(ii) whether the infringer, when he knew of the other's patent protection, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed

With respect to the second factor, the court has fully addressed the issue of willfulness in the

defendants' Motion for Judgment as a Matter of Law. See supra section II.A.1.a. Based on this same reasoning, the court finds that this factor weighs in favor of enhanced damages.

(iii) the infringer's behavior as a party to the litigation

The plaintiff spends almost 20 pages in its Motion detailing the defendants' "abusive and expense-enhancing litigation tactics." See Dkt. 574, pp. 7-24; see also Dkt. 594, pp. 11-17. In response, the defendants spend considerable time detailing the plaintiff's behavior during this litigation. See Dkt. 581, pp. 12-24. These detailed descriptions of the parties' actions in this case are certainly not necessary, as the court is all too familiar with the close to 600 documents filed in this case. This case was bitterly fought from day one. However, neither side comes to this stage in the case with perfectly clean hands. As such, the court will not use the conduct of either side as a basis to grant or deny the enhancement of damages.

(iv) the defendant's size and financial condition

The next factor the court must consider is the defendant's size and financial condition. The plaintiff argues that because defendant-eBay is a highly successful company, with first quarter 2003 profits of over \$380 million, that trebling the damages is the only way the defendants would feel the punitive impact from their willful infringement. The defendants maintain that reliance on the fact that eBay is a "deep pocket" is improper and that their size and financial condition should only be a minor consideration. See Odetics, 14 F. Supp. at 804. This court agrees. While the fact that eBay is such a large and wealthy corporation is certainly a factor in determining whether to enhance the damages, the court will only give it minor consideration when weighing the totality of circumstances.

(v) the closeness of the case

The plaintiff maintains that this case was not close, as the defendants were found to have

infringed both patents and all invalidity defenses were rejected. Moreover, the fact that the jury found willfulness by clear and convincing evidence warrants a finding that the case was not close. The defendants, on the other hand, argue that this case was extremely close, as is indicated by the fact that the jury found that neither defendant indirectly infringed the '176 patent and that Half.com did not indirectly infringe the '265 patent. In addition, the fact that the court found that the '051 patent, the patent which comprised 75% of the damages sought by the plaintiff, invalid on summary judgment further supports the finding that the case was close. As this court held in the defendants' first Rule 50 Motion, whether or not there was sufficient evidence on willfulness was a close call and the court reserved the right to revisit the issue after the jury returned its verdict. Therefore, the court finds that the case was sufficiently close, a factor that weighs against the imposition of enhanced damages. See generally Modine Mfg. Co. v. The Allen Group, 917 F.2d 538, 543 (Fed. Cir. 1990) (finding no abuse of discretion where district court refused to enhance damages because willfulness was "sufficiently close on the evidence," despite the fact that the jury had found willfulness by clear and convincing evidence).

(vi) the duration of the defendants' misconduct

The plaintiff asserts that enhanced damages are warranted because the "defendants' infringing conduct has lasted for two years and they have no intention of ceasing the infringement." However, as support for this factor, the plaintiff again relies on the fact that the defendants did not obtain an opinion of counsel.¹⁴ The court notes that this litigation has been going on for almost two

¹⁴ In addition, the plaintiff implies that because the defendants have indicated that they will appeal the verdict, they should be punished for this continued effort. The court finds this argument incredible, especially given the fact that all through this litigation, particularly after the court found the '051 patent invalid, the plaintiff indicated its intention to appeal this case. In
(continued on next page)

years and that the plaintiff never filed a motion for a preliminary injunction to prevent the defendants from continuing the infringement during the pendency of this litigation. The court will not allow the plaintiff to now use that fact to its advantage. Therefore, the court finds that this factor does not weigh in favor of enhanced damages.

(vii) the remedial action by the defendants

With respect to this factor, the plaintiff claims that the defendants made a deliberate decision not to undertake any remedial actions by not designing around the patent as they claim they could have easily done at a cost of less than \$15,000. The plaintiff claims that the defendants' refusal to take such remedial action is a further indication of bad faith and the need for a punitive component to the damages award. The court agrees. The defendants stressed the fact that they could have designed around the patents with only a few man-hours and very little expense, but failed to do so. As such, this factor weighs in favor of enhanced damages.

(viii) the defendants' motivation for harm

The plaintiff did not allege that the defendants' motivation was to harm it or Mr. Woolston, nor is there any evidence of such. Therefore, the court will not consider this factor.

(ix) whether the defendants attempted to conceal their misconduct

Once again, there has been no indication that the defendants attempted to conceal their misconduct, nor has the plaintiff made such an allegation. Therefore, the court will likewise not consider this factor.

fact, the plaintiff has already made one unsuccessful appeal in this case. The fact that the defendants intend to file an appeal is completely irrelevant to the court's determination of enhanced damages.

In sum, after careful review of all the factors for and against enhancing damages in this case, the court finds that there is an insufficient basis to make such an award. Therefore, the plaintiff's Motion with respect to enhanced damages is denied.

b. Attorneys' Fees

In this portion of the Motion, the plaintiff also seeks attorneys' fees pursuant to 35 U.S.C. § 285. This section provides that in exceptional cases, the court may award reasonable attorney fees to the prevailing party. 35 U.S.C. §285. "The trial judge's discretion in the award of attorney fees permits the judge to weigh intangible as well as tangible factors: the degree of culpability of the infringer, the closeness of the question, litigation behavior, and any other factors whereby fee shifting may serve as an instrument of justice." National Presto Indus., Inc. v. West Bend Co., 76 F.3d 1185, 1197 (Fed. Cir. 1996). The court notes that many of the factors cited are the same as those discussed above with respect to enhanced damages. Therefore, for the reasons set forth above, the court finds that an award of attorneys' fees is not warranted in this case. Accordingly, the plaintiff's Motion is denied.

7. Motion for Entry of Final Judgment.

The plaintiff seeks entry of final judgment, based on the jury's verdict and resolution of the post-trial motions. While the court agrees that the entry of final judgment is required, it does not grant the final judgment sought by the plaintiff. Rather, the court enters final judgment consistent with the jury's verdict and the rulings on the above post-trial motions. Accordingly, the Clerk is directed to enter judgment for the plaintiff in the amount of \$29.5 million. This consists of \$10.5 million for eBay's direct infringement of the '265 patent; \$14.5 million for Half.com's direct infringement of the '265 patent; and \$4.5 million for Half.com's direct infringement of the '176

patent. Moreover, this judgment is to be entered with prejudgment interest in the amount of the one-year Federal Treasury rate, compounded quarterly, and postjudgment interest at the standard rate.

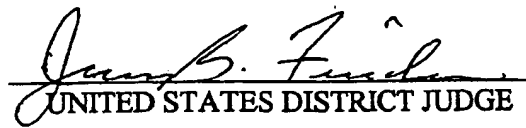
III. Conclusion

For the reasons discussed above, the court makes the following rulings: (1) Half.com's Renewed Motion for Judgment as a Matter of Law and Motion for a New Trial on the '176 Patent is **DENIED**; (2) eBay and Half.com's Renewed Motion for Judgment as a Matter of Law and Motion for a New Trial on the '265 Patent is **DENIED**; and (3) eBay and Half.com's Renewed Motion to Strike Testimony of Plaintiff's Damages Experts, Motion for New Trial, or Motion for Judgment as a Matter of Law is **DENIED in part and GRANTED in part**; (4) the plaintiff's Motion for Entry of a Permanent Injunction Order is **DENIED**; (5) the plaintiff's Motion to Enforce Judge Friedman's Injunction Order of February 26, 2003, and for Order to Show why Defendant eBay, Inc. Should Not be Held in Contempt for Facilitating Violations of Judge Friedman's Injunction Order of February 26, 2003 is **DENIED**; (6) the plaintiff's Renewed Motion for Judgment as a Matter of Law is **DENIED**; (7) the plaintiff's Motion for Prejudgment and Postjudgment Interest is **GRANTED**, with the exception of the interest rate used; (8) the plaintiff's Motion for Post-Verdict and Postjudgment Accounting is **DEFERRED** pending appeal, and the Clerk is **INSTRUCTED** to remove this Motion from the court's active docket; (9) the plaintiff's Motion for Enhanced Damages Under 35 U.S.C. § 284 and Attorney Fees Under 35 U.S.C. § 285 is **DENIED**; and (10) the plaintiff's Motion for Entry of Final Judgment is **GRANTED in part and DENIED in part**.

The Clerk is **REQUESTED** to send a copy of this Order to counsel of record.

It is so **ORDERED**.

Norfolk, Virginia
August 6, 2003


UNITED STATES DISTRICT JUDGE

Appendix I

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014

APPENDIX I

'014 APP. CLAIMS	PRIOR ART
<p>11. [a] A computer-implemented method for conducting auctions on the internet, the method comprising:</p>	<p><i>ACSN operated a computer-implemented method for conducting auctions among its subscribing participants over a dial-up computer network in the late 1980s.</i></p> <p><i>Although ACSN's computer implemented on-line auctions were not conducted "on the internet," it would have been obvious to one skilled in the art in early 1995 to combine ACSN with the Internet and web-based auctions of the Computer Museum and Save the Earth.</i></p> <p><i>ACSN adopted a low margin commission, high volume business model, the success of which depended on attracting a number of subscribers: "It's kind of a McDonald's concept. We sell on small margin, but we sell a lot of coins." Army Knives at 3. Thus, one skilled in the art would have been motivated to implement ACSN's teachings over the increasingly popular Internet or Worldwide Web to take advantage of its broader customer base. Compare Army Knives at 3 ("Once we get above 1,000 users...") with Save the Earth at 1 ("ARTROCK Gallery will be open to 26 million users...").</i></p> <p><i>Indeed, the Computer Museum article would have expressly motivated skilled artisans to take advantage of the Internet auction model: "I think the potential is tremendous for auctions on the Internet. It's a tremendously interesting business model." Computer Museum.</i></p> <p>ACSN—Army Knives¹ (p. 1): "Jay Mintz ... programmed the software to carry out the tasks needed to conduct on-line auctions and straight sales among members of the database."</p> <p>---- SECONDARY REFERENCES / KNOWLEDGE IN THE ART ----</p> <p>Computer Museum²: "The idea for putting The Computer Museum's auction on the Internet..."</p> <p>Save the Earth³ (p. 2): "All items are autographed and will be auctioned on the Internet..."</p>
<p>[b] receiving at a communication handler program executing on a host computer information from a seller corresponding to an item for auction, the information received from the seller including</p>	<p><i>Information corresponding to every item sold on ACSN was received at the host computer from either: (1) ACSN's operators offering their own goods for sale through the database; or (2) subscribing sellers in the form of electronic messages.</i></p> <p>(1) ACSN LISTING ITS OWN GOODS:</p>

¹ *Army Knives* is attached to this Protest as Exhibit A, No. 7.

² *Computer Museum* is attached to this Protest as Exhibit A, No. 6.

³ *Save the Earth* is attached to this Protest as Exhibit A, No. 5.

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	<p>ACSN—<i>Army Knives</i> (p. 3) “We stuck a lot of our stuff on the database first to get people started,” Mintz says.” (p. 3)</p> <p>ACSN—Blankley⁴ (38:12-15) Q Did you sell some of your own items through the Acorn Network service? A Yes. Why shouldn't I? I owned the damned thing.</p> <p><u>(2) SUBSCRIBING SELLERS LISTING THEIR GOODS:</u> ACSN—<i>Army Knives</i> (p. 1): “Users ... may send a message offering one of their own collectables to be sold via the network.”</p> <p>ACSN—<i>Army Knives</i> (p. 2): “In the Coin Bid Board Auction, collectors send messages offering their coins, then ship the coins to Nemo's in advance of the auction date. Blankley has them checked for authenticity and for the accuracy of the asking price, stores them in a bank vault and transfers the message onto the auction portion of the database.”</p> <p>ACSN—Blankley (32:4-18) Q When your system took an item in, how did you record information relating to that item in a -- A ... when we'd receive something via the system, it would usually come in as a file, a listing file, of whatever the individual had for sale. For example, say I had -- I had a list of bills I wanted to -- I wanted you to sell for me. I could -- I would sit down at the computer, list them, tell you what they were, what I thought their grade was. And I'd send it on. And then you would be notified, send me the bills. Of course, you know that already through the registration process. And once I received the bills, I verified they are what you said they were, I think your price is fair, then they go on the board.</p> <p>ACSN—Mintz⁵ (38:6-25) Q. How would the system operate to accept an item for sale, for example? A. The user, if wanted to post an item, they would post an item in the form of an item message or bid board message. That message would contain the item name, how much they believe it's valued at, what type of item it was so that we could classify it for which auction it was to go into.... Q. Could a user in 1987 provide that information with respect to an item they wanted to sell on line? A. Yes, it was done on line.</p> <p>ACSN—Mintz (101:5-9) Q. The users couldn't post directly on to the Acorn System. Correct?</p>

⁴ Mr. Blankley's deposition transcript is attached to this Protest as Exhibit A, No. 12.

⁵ Mr. Mintz's deposition transcript is attached to this Protest as Exhibit A, No. 13.

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	<p>A. They were posting directly on to the system. The system just wasn't making it live until we verified it.</p>
<p>[c] (i) a designation of a category, selected from a list of categories, under which the item for auction is to be listed, and</p>	<p>ACSN—<i>Army Knives</i> (p. 2): "The database has several different 'auctions' or 'trading floors.' ... trading floors exist for silver, gold, antiques, computers, Royal Doulton and Hummel figurines, military items, stamps, paper money and baseball cards. Blankley says other types of collectables will be offered on the database as his list of subscribers grows."</p> <p>ACSN—Advertisement⁶: "Our rules are simple and easy to follow. They are explained at the head of each category for trading ... you are assigned a pass word which will allow you into the system to <i>roam at will throughout the categories listed</i>. ... we have currently on-line and trading items in the following categories..."</p> <ul style="list-style-type: none"> The ACSN Advertisement also lists predetermined subcategories within the categories offered: "F) Crystal (Swarovski, Stueben, Fostoria, Etc.); G) Collectible Bottles (Perfume, medicine, milk, Etc.)" <p>ACSN—Blankley (16:20-17:4)</p> <p>Q What was your idea for the Acorn Network?</p> <p>A Well, we wanted to set up multiple databases and searchable databases, and <i>all the categories</i> just a little old brochure. And we had a trading floor where people could buy and sell on the floor, a virtual floor. ...</p> <p>ACSN—Blankley (33:22-34:2)</p> <p>Q And that was stored in the system with respect to that item?</p> <p>A It was general -- it was generally done by the receiver, by the category that would fit. But once the category was assigned, then the machine assigned a number.</p> <p>ACSN—Mintz (34:17-35:7)</p> <p>Q. On the right-hand side of this document, there's a series of categories. What are those?</p> <p>A. These are the actual bid boards, except for the bottom one which talks about a coin bid auction. Obviously that was not the name of the auction. We did hold bid auctions.</p> <p>Q. And at the top of this list of A through Y categories it states, we have currently on line and trading items in the following categories. What did you mean when you said these were the bid boards?</p> <p>A. Each one of these items was a separate auction running on the system. ...</p> <p>ACSN—Mintz (38:6-25)</p> <p>Q. How would the system operate to accept an item for sale, for example?</p> <p>A. The user, if wanted to post an item, they would post</p>

⁶ ACSN's advertisement is attached to this Protest as Exhibit A, No. 14.

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	an item in the form of an item message or bid board message. That message would contain the item name, how much they believe it's valued at, <i>what type of item it was so that we could classify it for which auction</i> it was to go into....
[d] (ii) input relating to scheduling an auction for the item;	<p><i>Both ACSN and subscribing sellers provided scheduling input for auctions of their goods. ACSN auctioned these goods by presenting the received item information to a plurality of potential bidders over a computer network.</i></p> <p><u>(1) ACSN LISTING ITS OWN GOODS:</u></p> <p>ACSN—<i>Army Knives</i> (p. 3): “We stuck a lot of our stuff on the database first to get people started,” Mintz says.”</p> <p>ACSN—<i>Army Knives</i> (p. 2): “So far, Mintz says, three national auctions have been held, with another set for August.”</p> <p>ACSN—Blankley (38:12-15) Q Did you sell some of your own items through the Acorn Network service? A Yes. Why shouldn't I? I owned the damned thing.</p> <p>ACSN—Mintz (126:25-127:20) Q Did Nemo's ever auction off its own goods on the Acorn Network? A Yes, it did. ... Q Did Mr. Blankley have the ability to decide start and stop times for various auctions? A Yes, he did. Q Did Mr. Blankley have the ability to select start and stop times for the auctions that would include his own goods for sale? A Yes, he did.</p> <p><u>(2) SUBSCRIBING SELLERS LISTING THEIR GOODS:</u></p> <p>ACSN—<i>Coin Trading</i>⁷: “Bidding on regular items listed on a daily basis can take as long as rules set up by the consigners allow.”</p> <p>ACSN—Blankley (37:24-38:5) Q And could that user state in their posting how long they wanted the particular item to be up for sale? A Yes. But generally, the item would probably sell before he -- before he could get it out of his mouth. Lot of -- lot of times something will hit the board and be gone before it got all tapped in.</p> <p>ACSN—Mintz (44:4-18) Q I'll restate it. How could a user reschedule which auction they wanted their item to be entered in? ... If at all? A If the user wanted to be in a certain auction, they</p>

⁷ *Coin Trading* is attached to this Protest as Exhibit A, No. 15.

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	<p>could request it. As long as we received the item in hands before the date of that auction, we would put it in that auction. If the user did not specify and we ran auctions on a regular basis, generally every other week type basis, it would go into the next available auction.</p> <p>ACSN—Mintz (45:15-46:3) Q. Did the system provide information to the user with respect to when auctions would begin and end? A. Yes. Q. And so by selecting a particular auction, a user would know the scheduled start and end time of that particular auction that they selected. Is that right? A. The users would -- yes, the auctions at the very top of the auction had the starting and ending time of the auction and the last bids.</p>
<p>[e] processing at least a portion of the received information into a presentation format by a database-to-presentation format formatting program, the presentation format including an indication of the category of the item for auction;</p>	<p><i>ACSN displayed auction information stored in its host-computer's database to auction participants. The display of information stored in a database necessarily requires some form of "database-to-presentation format formatting program."</i></p> <p>ACSN—Army Knives (p. 2): "The database has several different 'auctions' or 'trading floors.' ... trading floors exist for silver, gold, antiques, computers, Royal Doulton and Hummel figurines, military items, stamps, paper money and baseball cards. Blankley says other types of collectables will be offered on the database as his list of subscribers grows."</p> <p>ACSN—Advertisement: "Our rules are simple and easy to follow. They are explained at the head of each category for trading ... you are assigned a pass word which will allow you into the system to <i>roam at will throughout the categories listed</i>. ... we have currently on-line and trading items in the following categories..."</p> <ul style="list-style-type: none"> The ACSN Advertisement also lists predetermined subcategories within the categories offered: "F) Crystal (Swarovski, Stueben, Fostoria, Etc.); G) Collectible Bottles (Perfume, medicine, milk, Etc.)" <p>ACSN—Mintz (40:2-13) Q. All right. And when the Acorn System posted the item for sale, what information would be posted? A. The information posted would be the ID of the item, what it was, the current bid price of the item, or at least the first asking price, if that was the case. If the auction just started, the owner of the item would post a minimum bid. That would be posted as well as a brief description of what the item was and its grade, if it was a coin, quality.</p> <p>ACSN—Blankley (34:25-35:7) Q. And at the top of this list of A through Y categories it states, we have currently on line and trading items in the following categories. What did you mean when you said</p>

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	<p>these were the bid boards?</p> <p>A. <i>Each one of these items was a separate auction running on the system.</i></p> <p>ACSN—Blankley (36:17-37:2)</p> <p>Q Did you also hold daily auctions on the Acorn Network service?</p> <p>A Well, the floors were -- you know, <i>every category was an auction</i>. There were boo coo auctions, I want that figurine, I'll pay this. And the other one will log on they're going to pay more or -- that was an ongoing process.</p> <p>Q So there were auctions, ongoing at all times, on the Acorn Network?</p> <p>THE WITNESS: Oh, yeah.</p> <p>ACSN—Blankley (94:18-95:3)</p> <p>...Whoa. Whoa. Whoa. Whoa. Whoa. Whoa. Whoa.</p> <p>That ain't what it says. It says -- the last two sentence says "Registration fee is \$35, which includes first month's time and a monthly maintenance fee of \$15. Once registration information is in the computer and the fee is paid, you are -- you are -- you are list -- <i>you are into the system and able to roam at will throughout the categories listed.</i>"</p>
[f] based at least in part on the received auction scheduling input, conducting an auction for the item over the Internet by presenting the presentation format to a plurality of potential bidders;	See Claim 11 [d] <i>supra</i> .
[g] receiving at the host computer at least, one bid on the auctioned item from a bidder; and	<p>ACSN—<i>Army Knives</i> (p. 1): "Users enter their bids in the form of messages."</p> <p>ACSN—Blankley (23:9-16)</p> <p>Q And when bids were placed on-line on your -- on your auction, did your auction maintain what the highest bid was?</p> <p>...</p> <p>A Yes.</p> <p>ACSN—Mintz (41:2-21)</p> <p>Q. All right. And what information would be displayed on the system with respect to a particular item after bids were accepted for that item?</p> <p>A. The item would post the current price of the auction item as it was updated once we got verification on the bids sent in. The bids were sent in by user ID in message form as well. We'd verify those and take the bids. The system did that automatically, pretty much.</p> <p>Q. And did the system list what the current high bid was on a particular item?</p> <p>A. Yes, it did. ...</p>
[h] receiving at a host computer payment information from the bidder.	<p>ACSN—Mintz (31:3-13)</p> <p>Q. What process would a user have to go through in order to register with the on-line Acorn Auction in 1987?</p> <p>A. He could do one of two ways. Obviously there was a paper-based way and then there was the on-line way. <i>Both</i></p>

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	<p><i>of those forms required information regarding methods of payment, user name, name, you know, address, stuff that we had to verify to get them on line as well as it listed all the charges involved.</i></p> <p>ACSN—Mintz (33:7-14) Q. In order for a user to register with the Acorn On-line Auction in 1987, did that user have to provide a credit card? A. They could pay by check. That would work as well; however, the auctions worked easier if they had a credit card because we could go in and directly bill their credit cards for items purchased or sold.</p> <p>ACSN—Mintz (50:15-24) Q. And how did the system -- for instance, if the buyer had provided a credit card and -- as a method of payment, how would the buyer be charged for the item? A. The buyer would be charged the bid price obviously plus a two percent commission from the system. Q. That would be charged by the system to the buyer's credit card? A. Correct.</p> <p>ACSN—Blankley (26:6-27:4) <i>...We asked question how they would be paying for most of their purchases.</i> We wanted to kind of keep a handle on that so we knew what percentage of credit card transactions we were going to have to pay for and what other transactions we'd have to pay for. Q Why did you require the credit card as part of the registration process? A To verify a person's identity. Q ... <i>What other reason did you collect the credit card number?</i> A <i>For payment.</i></p>
<p>12. The method of claim 11 further comprising: passing the received payment information from a host computer to an external clearinghouse; and receiving at a host computer a response from the external clearinghouse that payment has cleared.</p>	<p><i>Processing a credit card payment—as ACSN's system did—inherently requires passing the credit card account number to an external clearinghouse and receiving confirmation from the clearinghouse that the payment requested was within the card's account limit.</i></p> <p>ACSN—Mintz (95:6-15) Q. When you charged the credit card, that was a manual process. Isn't that right? A. Not -- the system would generate log to do the billing charges itself, and <i>that system was tied into the credit card system so it could bill -- the system could bill -- the on-line system could bill credit cards.</i> There was some manual process in there obviously to verify the information, but the system had the ability to bill customers.</p> <p>ACSN—Mintz (96:17-97:11) A. How the system would charge their credit cards?</p>

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	<p>Q. Yes.</p> <p>A. <i>It tied into the phone line</i> and dialed in to the same way it dialed into, you know, systems to check for -- the system had ties into Dow Jones where it dialed in to get numbers for it's -- for the Gold and Silver Bullion prizes. <i>It had a dial in to a credit card system similar to the way your credit card boxes work now</i> where it would transmit the numbers of transactions that went today similar to the way they work today -- ...It would dial in. It dialed up -- on a scheduled basis, it would dial in transactions on a daily basis at the end of a business day.</p>
<p>13. The method of claim 11 wherein the database-to-presentation formatting program comprises a database-to-worldwide web mapping module.</p>	<p><i>As explained above in connection with claim 11, element [e], ACSN used a "database-to-presentation formatting program" to display auction information to its subscribers. Although ACSN did not use a "database-to-worldwide web mapping module," as explained above in connection with claim 11, element [a], it would have been obvious in 1995 to implement ACSN's auction over the Worldwide Web as taught in Save the Earth. The display of information from a database on a web page necessarily requires a "database-to-worldwide web mapping module" of some form.</i></p> <p>---- SECONDARY REFERENCES / KNOWLEDGE IN THE ART ----</p> <p><i>Save the Earth (p. 2): "All items are autographed and will be auctioned on the Internet from April 22, through May 21, 1995 at http://www.commerce.com/save_earth."</i></p>
<p>14. The method of claim 11 further comprising: receiving payment information from the bidder via a worldwide web page server executing on the host computer.</p>	<p><i>See Claims 11[h], 13 supra.</i></p>

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<p>15. The method of claim 11 further comprising: processing the received payment information with a transaction processor to debit an account identified by the payment information.</p>	<p>ACSN—Mintz (50:15-24) Q. And how did the system -- for instance, if the buyer had provided a credit card and -- as a method of payment, how would the buyer be charged for the item? A. The buyer would be charged the bid price obviously plus a two percent commission from the system. Q. That would be charged by the system to the buyer's credit card? A. Correct.</p> <p>ACSN—Mintz (95:6-15) Q. When you charged the credit card, that was a manual process. Isn't that right? A. Not -- the system would generate log to do the billing charges itself, and <i>that system was tied into the credit card system so it could bill -- the system could bill -- the on-line system could bill credit cards.</i> There was some manual process in there obviously to verify the information, but the system had the ability to bill customers.</p> <p>ACSN—Mintz (96:17-97:11) A. How the system would charge their credit cards? Q. Yes. A. <i>It tied into the phone line</i> and dialed in to the same way it dialed into, you know, systems to check for -- the system had ties into Dow Jones where it dialed in to get numbers for it's -- for the Gold and Silver Bullion prizes. <i>It had a dial in to a credit card system similar to the way your credit card boxes work now</i> where it would transmit the numbers of transactions that went today similar to the way they work today -- ...It would dial in. It dialed up -- on a scheduled basis, it would dial in transactions on a daily basis at the end of a business day.</p>
<p>16. The method of claim 11 further comprising: associating the payment information with the bid received from the bidder.</p>	<p><i>ACSN received payment information from all participants during registration. All bids were associated with a participant's account which included the participant's payment information. Furthermore, if a participant submitted a winning bid, the participant's payment information was directly associated with the bid to collect payment.</i></p> <p>ACSN—Mintz (50:15-24) Q. And how did the system -- for instance, if the buyer had provided a credit card and -- as a method of payment, how would the buyer be charged for the item? A. The buyer would be charged the bid price obviously plus a two percent commission from the system. Q. That would be charged by the system to the buyer's credit card? A. Correct.</p> <p>ACSN—Mintz (51:21-52:12) Q. ...Specifically the charge -- did the system keep track of</p>

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	<p>the fact that it had charged a buyer's credit card for the purchase price plus two percent?</p> <p>A. Yes. In the report that went out at the end of an auction, <i>if the credit card was already in there, the report generated would show that it was going to charge this user's account this much money plus two percent.</i> The report was generated mainly so we would have a record of what went on as well as for those people that weren't using credit cards, that the people could go back and go, hey, verify everything and make sure. Plus, they wanted to double check even the credit card transactions to make sure everything was cool and okay.</p>
<p>17. The method of claim 11 wherein the payment information identifies a credit card account.</p>	<p>ACSN—Mintz (33:7-14) Q. In order for a user to register with the Acorn On-line Auction in 1987, did that user have to provide a credit card? A. They could pay by check. That would work as well; however, the auctions worked easier if they had a credit card because we could go in and directly bill their credit cards for items purchased or sold.</p> <p>ACSN—Mintz (37:14-38:1) Q. If a user provided a credit card as a part of the registration process and selected a credit card as method of payment, what charges, if any, would be charged to that user's credit card? A. The charges applied to that card would be the monthly service charge, if that's how they chose to do it, or if they chose as one lump sum, that would be charged to their credit card. Any purchases and/or consignments they made to the system would be charged to that credit card as well as the commissions.</p> <p>ACSN—Mintz (50:15-24) Q. And how did the system -- for instance, if the buyer had provided a credit card and -- as a method of payment, how would the buyer be charged for the item? A. The buyer would be charged the bid price obviously plus a two percent commission from the system. Q. That would be charged by the system to the buyer's credit card? A. Correct.</p> <p>ACSN—Blankley (26:6-27:4) ...We asked question how they would be paying for most of their purchases. We wanted to kind of keep a handle on that so we knew what percentage of credit card transactions we were going to have to pay for and what other transactions we'd have to pay for. ... Q ... What other reason did you collect the credit card number? A For payment.</p>
<p>18. The method of claim 11 wherein the information received from the seller includes a price</p>	<p>ACSN—Mintz (40:2-13) Q. All right. And when the Acorn System posted the item</p>

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for the auction item.	<p>for sale, what information would be posted?</p> <p>A. The information posted would be the ID of the item, what it was, the current bid price of the item, or at least the first asking price, if that was the case. If the auction just started, <i>the owner of the item would post a minimum bid.</i> That would be posted as well as a brief description of what the item was and its grade, if it was a coin, quality.</p> <p>ACSN—Mintz (40:18-25)</p> <p>Q. Well, could a user either set up -- set, for example, a reserve price?</p> <p>A. They could set a minimum price for the auction to start. If they did not want any bids below this price, they could set that price, yes.</p> <p>ACSN—Mintz (42:25-43:11)</p> <p>Q. And what information would be contained in the database, system database, with respect to the record of each item posted?</p> <p>A. Each item posted had multiple fields. It contained obviously the information about the item. It contained its unique ID that it was assigned by the system. It contained the user ID of the person that owned that item. It contained the minimum asking price of that item and also it contained the consignment date and also which auction it would go into.</p>
19. The method of claim 11 wherein the presentation format comprises a hypertext markup language format.	<i>See Claim 13 supra.</i>
147. The method of claim 11 or 26 wherein the communication handler program comprises a Unix daemon.	<p><i>ACSN online auctions necessarily used a "communication handler program" to enable transmission of data online to and from auction participants. Although ACSN does not expressly teach using a "UNIX Daemon," a "daemon" is simply a software communications program that performs predetermined operations in response to a particular input. Daemons and the UNIX operating system were commonly used and well known in the art.</i></p> <p>---- SECONDARY REFERENCES / KNOWLEDGE IN THE ART ----</p> <p>Computer Museum: "An EIT developer, Eric Rescorla, implemented the auction application using the company's ServiceMail public domain toolkit, Tenenbaum said. ServiceMail transforms <i>UNIX</i> applications into network service via E-mail, he said."</p> <p>http://www.webopedia.com/TERM/d/daemon.html⁸</p> <p><i>"daemon: A process that runs in the background and performs a specified operation at predefined times or in response to certain events. The term <i>daemon</i> is a UNIX term,</i></p>

⁸ Attached to this Protest as Exhibit A, No. 16.

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	<p>though many other operating systems provide support for daemons ... Typical daemon processes include print spoolers, e-mail handlers, and other programs that perform administrative tasks for the operating system."</p>
<p>148. The method of claim 11 wherein the received auction scheduling input relates to an auction duration.</p>	<p><i>Both ACSN and subscribing sellers provided scheduling input for auctioning their goods.</i></p> <p><u>(1) ACSN LISTING ITS OWN GOODS:</u></p> <p>ACSN—<i>Army Knives</i> (p. 3): "We stuck a lot of our stuff on the database first to get people started," Mintz says."</p> <p>ACSN—<i>Army Knives</i> (p. 2): "So far, Mintz says, three national auctions have been held, with another set for August."</p> <p>ACSN—Mintz (126:25-127:20)</p> <p>Q. Did Nemo's ever auction off its own goods on the Acorn Network?</p> <p>A. Yes, it did. ...</p> <p>Q. Did Mr. Blankley have the ability to decide start and stop times for various auctions?</p> <p>A. Yes, he did.</p> <p>Q. Did Mr. Blankley have the ability to select start and stop times for the auctions that would include his own goods for sale?</p> <p>A. Yes, he did.</p> <p><u>(2) SUBSCRIBING SELLERS LISTING THEIR GOODS:</u></p> <p>ACSN—<i>Coin Trading</i>: "Bidding on regular items listed on a daily basis can <i>take as long as rules set up by the consigners allow.</i>"</p> <p>ACSN—Blankley (37:24-38:5)</p> <p>Q And could that user state in their posting how long they wanted the particular item to be up for sale?</p> <p>A Yes. But generally, the item would probably sell before he -- before he could get it out of his mouth. Lot of -- lot of times something will hit the board and be gone before it got all tapped in.</p> <p>ACSN—Mintz (44:4-18)</p> <p>Q. I'll restate it. How could a user reschedule which auction they wanted their item to be entered in? ... If at all?</p> <p>A. If the user wanted to be in a certain auction, they could request it. As long as we received the item in hands before the date of that auction, we would put it in that auction. If the user did not specify and we ran auctions on a regular basis, generally every other week type basis, it would go into the next available auction.</p> <p>ACSN—Mintz (45:15-46:3)</p> <p>Q. Did the system provide information to the user with respect to when auctions would begin and end?</p>

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	<p>A. Yes.</p> <p>Q. And so by selecting a particular auction, a user would know the scheduled start and end time of that particular auction that they selected. Is that right?</p> <p>A. The users would -- yes, the auctions at the very top of the auction had the starting and ending time of the auction and the last bids.</p>
<p>149. The method of claim 11 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.</p>	<p><i>See Claim 148 supra.</i></p>
<p>150. The method of claim 11 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.</p>	<p><i>One of the known advantages of online auctions was that auctions for items can be conducted individually on their own schedule. This permits auctions to be conducted on a daily basis and manually invoked with an immediate or near immediate start upon listing, such as in the daily auctions sellers conducted on many of ACSN's boards for items other than coins.</i></p> <p>ACSN—Coin Trading: "Bidding on regular items listed on a daily basis can take as long as rules set up by the consigners allow."</p> <p>ACSN—Blankley (36:17-37:2)</p> <p>Q Did you also hold daily auctions on the Acorn Network service?</p> <p>A Well, the floors were -- you know, every category was an auction. There were boo coo auctions, I want that figurine, I'll pay this. And the other one will log on they're going to pay more or -- that was an ongoing process.</p> <p>Q So there were auctions, ongoing at all times, on the Acorn Network?</p> <p>THE WITNESS: Oh, yeah.</p> <p>ACSN—Mintz (34:17-35:7)</p> <p>Q. On the right-hand side of this document, there's a series of categories. What are those?</p> <p>A. These are the actual bid boards, except for the bottom one which talks about a coin bid auction. Obviously that was not the name of the auction. We did hold bid auctions.</p> <p>Q. And at the top of this list of A through Y categories it states, we have currently on line and trading items in the following categories. What did you mean when you said these were the bid boards?</p> <p>A. Each one of these items was a separate auction running on the system. ...</p>
<p>151. The method of claim 11 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.</p>	<p><i>See Claim 150 supra.</i></p>

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152. The method of claim 11 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
153. The method of claim 11 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	<i>See Claim 148 supra.</i>
20. [a] A computer-implemented method of conducting auctions on the internet, the method comprising:	<i>See Claim 11 [a] supra.</i>
[b] receiving information about an item to be auctioned, the received information including	<i>See Claim 11 [b] supra.</i>
[c] (i) a designation of a category, selected from a list of categories, under which the item is to be auctioned, and	<i>See Claim 11 [c] supra.</i>
[d] (ii) input relating to scheduling an auction for the item;	<i>See Claim 11 [d] supra.</i>
[e] generating a tracking identifier to identify the item to be auctioned;	<p>ACSN—Mintz (39:1-18)</p> <p>Q. And what would the system do with respect to the information it received regarding an item that a user wanted to sell?</p> <p>A. That item would be sent to a message. That message would come to us. Once that item was verified, in other words, meaning it came to Memphis, we saw it and we verified it, it would go into one of the auction boards in its exact form as it came to us. <i>It would be assigned an ID by the system. The system assigned an ID to that item.</i></p> <p>Q. Was the ID that was assigned to that particular item unique to that particular item?</p> <p>A. Yes.</p>
[f] processing at least a portion of the received information to create a presentation format corresponding to the item to be auctioned, the presentation format including an indication of the category of the item to be auctioned;	<i>See Claim 11 [e] supra.</i>
[g] based at least in part on the received auction scheduling input, conducting an auction for the item over the Internet by presenting the presentation format to a plurality of internet participants;	<i>See Claim 11 [f] supra.</i>
[h] receiving at least one bid for the item from at least one internet participant;	<i>See Claim 11 [g] supra.</i>
[i] providing to the internet participant instructions for sending payment information to pay for the auctioned item.	<p><i>Auctions, like any commercial transaction, inherently require some form of instructions on how to submit payment. See, e.g., Computer Museum ("the museum arranged for payment and delivery"). ACSN provided instructions to participants regarding how and where to provide a method of payment for items and fees during registration.</i></p> <p><i>ACSN also provided a report to the winning bidder and seller at the end of each auction. If a participant had</i></p>

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	<p><i>submitted a credit card as their payment method, the report would reflect a charge would be made for the purchase price and commission to that credit card. If a participant had designated that they would pay by other means, the report instructed the participant that payment should be made for the amount stated in the report.</i></p> <p>ACSN—Advertisement: “METHOD OF PAYMENT ____; CREDIT CARD NR ____; EXPIRATION ____; ... To obtain registration simply call the computer or fill out the attached registration form and the process begins.”</p> <p>ACSN—Mintz (51:21-52:12) Q. ...Specifically the charge -- did the system keep track of the fact that it had charged a buyer's credit card for the purchase price plus two percent? A. Yes. In the report that went out at the end of an auction, <i>if the credit card was already in there, the report generated would show that it was going to charge this user's account this much money plus two percent.</i> The report was generated mainly so we would have a record of what went on <i>as well as for those people that weren't using credit cards</i>, that the people could go back and go, hey, verify everything and make sure. Plus, they wanted to double check even the credit card transactions to make sure everything was cool and okay.</p>
21. [a] The method of claim 20 wherein conducting an auction for the item comprises opening an auction process to participants on the internet; and	See Claim 11 [a] <i>supra</i> .
[b] further comprising automatically closing the auction process to the internet participants based on a predetermined condition.	<p><i>ACSN closed auction processes to participants based on reaching a predetermined end-time. Indeed, all auctions are closed based on a predetermined condition, be it reaching an end time, passage of a period of time without a higher bid, the seller's acceptance of a bid, or reaching a particular price.</i></p> <p><i>Although ACSN's auction participants did not communicate over the Internet, it would have been obvious to implement ACSN's teachings over the Internet as explained above in connection with claim 11, element [a] above.</i></p> <p>ACSN—Mintz (45:15-46:3) Q. Did the system provide information to the user with respect to when auctions would begin and end? A. Yes. Q. And so by selecting a particular auction, a user would know the scheduled start and end time of that particular auction that they selected. Is that right? A. The users would -- yes, the auctions at the very top of the auction had the starting and ending time of the auction and the last bids.</p>
22. The method of claim 20 further comprising:	See Claim 13 <i>supra</i> .

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receiving the bid for the auctioned item via a world wide web page server interface.	
23. The method of claim 20 further comprising: receiving payment information from the participant, the payment information being associated with the bid.	See Claim 16 <i>supra</i> .
24. The method of claim 20 further comprising: receiving from the participant payment information identifying a credit card account,	See Claim 17 <i>supra</i> .
passing the credit card account information to a clearinghouse and receiving authorization from the clearinghouse that payment with the credit card has cleared.	See Claim 12 <i>supra</i> .
25. [a] The method of claim 20 further comprising: receiving payment information from the participant,	See Claim 11 [h] <i>supra</i> .
[b] clearing the payment information, and	<p>ACSN—Mintz (95:6-15)</p> <p>Q. When you charged the credit card, that was a manual process. Isn't that right?</p> <p>A. Not -- the system would generate log to do the billing charges itself, and <i>that system was tied into the credit card system so it could bill -- the system could bill -- the on-line system could bill credit cards</i>. There was some manual process in there obviously to verify the information, but the system had the ability to bill customers.</p> <p>ACSN—Mintz (96:17-97:11)</p> <p>A. How the system would charge their credit cards?</p> <p>Q. Yes.</p> <p>A. <i>It tied into the phone line</i> and dialed in to the same way it dialed into, you know, systems to check for -- the system had ties into Dow Jones where it dialed in to get numbers for it's -- for the Gold and Silver Bullion prizes. <i>It had a dial in to a credit card system similar to the way your credit card boxes work now</i> where it would transmit the numbers of transactions that went today similar to the way they work today -- ...It would dial in. It dialed up -- on a scheduled basis, it would dial in transactions on a daily basis at the end of a business day.</p>
[c] transferring legal ownership of the item to the participant.	<p><i>Because it took possession of goods listed for auction, ACSN shipped all items to the buyers. As a matter of law, ACSN's delivery of a good to a buyer transferred "legal ownership" of the good absent some contrary agreement. Section 2-401 of the Uniform Commercial Code (UCC), which governs transactions in the sales of goods, provides: "Unless otherwise explicitly agreed title passes to the buyer at the time and place at which the seller completes his performance with respect to physical delivery of the goods." UCC § 2-401 (2). Thus, ACSN's shipment of goods it owned and offered as a seller transferred legal ownership of those goods.</i></p>

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	<p><i>Similarly, with regard to a good consigned to ACSN for auction by a participant seller, ACSN's shipment of the good transferred legal ownership: "Any entrusting possession of goods to a merchant who deals in goods of that kind gives him power to transfer all rights of the entruster to a buyer in the ordinary course of business." UCC § 2-403 (2). Thus, by entrusting an offered good to ACSN—which dealt such collectable items—a seller authorized ACSN to transfer legal ownership. See § 2-403 (3) ("‘Entrusting’ includes any delivery and acquiescence in retention of possession for the purpose of sale, obtaining offers to purchase, locating a buyer, or the like.").</i></p>
154. The method of claim 20 wherein the received auction scheduling input relates to an auction duration.	See Claim 148 <i>supra</i> .
155. The method of claim 20 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	See Claim 148 <i>supra</i> .
156. The method of claim 20 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.	See Claim 150 <i>supra</i> .
157. The method of claim 20 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.	See Claim 150 <i>supra</i> .
158. The method of claim 20 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	See Claim 150 <i>supra</i> .
159. The method of claim 20 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	See Claim 148 <i>supra</i> .
208. The method of claim 21 wherein the predetermined condition is defined at least in part by the received auction scheduling input.	<p><i>Both ACSN and subscribing sellers provided predetermined end times for auctions of their goods.</i></p> <p>ACSN—Mintz (126:25-127:20) Q. Did Nemo's ever auction off its own goods on the Acorn Network? A. Yes, it did. ... Q. Did Mr. Blankley have the ability to decide start and stop times for various auctions? A. Yes, he did. Q. Did Mr. Blankley have the ability to select start and stop</p>

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	<p>times for the auctions that would include his own goods for sale?</p> <p>A. Yes, he did.</p> <p>ACSN—<i>Coin Trading</i>: "Bidding on regular items listed on a daily basis can take as long as rules set up by the consigners allow."</p> <p>ACSN—<i>Mintz (45:15-46:3)</i></p> <p>Q. Did the system provide information to the user with respect to when auctions would begin and end?</p> <p>A. Yes.</p> <p>Q. And so by selecting a particular auction, a user would know the scheduled start and end time of that particular auction that they selected. Is that right?</p> <p>A. The users would -- yes, the auctions at the very top of the auction had the starting and ending time of the auction and the last bids.</p>
33. A system for conducting auctions on the internet, the system comprising:	See Claim 11 [a] <i>supra</i> .
an auction item presentation means for presenting items for auction-to-auction participants connected via the internet, the auction item presentation means presenting items for auction arranged into item categories,	See Claim 11 [e] <i>supra</i> .
each item for auction being associated with an item category designated by a seller of the item to be auctioned;	See Claim 11 [c] <i>supra</i> .
an auction process means for executing an auction process for the item based at least in part on scheduling input received from the seller;	See Claim 11 [f] <i>supra</i> .
an auction bid recipient means for receiving, during the auction process, at least one bid for an item being presented by the auction item presentation means; and	See Claim 11 [g] <i>supra</i> .
payment recipient means for receiving payment information from a bidding participant,	See Claim 11 [h] <i>supra</i> .
the payment information corresponding to the item for which the bid was received.	See Claim 16 <i>supra</i> .
34. The system of claim 33 further comprising payment verification means for passing received payment information to an external clearinghouse for verification.	See Claim 12 <i>supra</i> .
35. The system of claim 33 wherein the auction item presentation means comprises a database-to-presentation formatting program for mapping information from a database into a worldwide web format.	See Claim 13 <i>supra</i> .
36. The system of claim 33 further comprising: a transaction processor to debit an account identified	See Claim 15 <i>supra</i> .

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by the payment information if the received bid is approved.	
37. The system of claim 33 wherein the received payment information identifies a credit card.	<i>See Claim 17 supra.</i>
38. The system of claim 36 wherein the payment information identifies a credit card and	<i>See Claim 17 supra.</i>
wherein the transaction processor charges the credit card for the payment associated with the approved bid.	<i>See Claim 15 supra.</i>
39. The system of claim 33 wherein the auction item presentation means presents the auction item information as a markup language page.	<i>See Claim 13 supra.</i>
160. The system of claim 33 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
161. The system of claim 33 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
162. The system of claim 33 wherein the received scheduling input comprises an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
163. The system of claim 33 wherein the received scheduling input consists of an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
164. The system of claim 33 wherein the received scheduling input comprises an indication that the auction process is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
165. The system of claim 33 wherein the received scheduling input comprises an indication that the auction process is to be initiated at a future time.	<i>See Claim 148 supra.</i>
40. [a] An auction participant system for enabling participation in an online auction conducted over a packet-switched network, the auction participants including sellers of items to be auctioned and bidders on the items to be auctioned, the system comprising:	<p><i>ACSN operated a system enabling its subscribers to participate in online auctions as both buyers and sellers. As explained above in connection with claim 11, element [a], it would have been obvious in 1995 to implement ACSN's teachings over the Internet or worldwide web. Communications over the Internet or worldwide web are inherently transmitted over a "packet-switched network."</i></p>
	---- SECONDARY REFERENCES / KNOWLEDGE IN THE ART ----

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	See http://computer.howstuffworks.com/router.htm/printable . ⁹ ("Internet data, whether in the form of a Web page, a downloaded file or an e-mail message, travels over a system known as a packet-switching network .")
[b] an auction item receiving means for receiving a page of information including one or more items available for auction,	See Claim 11 [b] <i>supra</i> .
[c] the received page of information including a designation of item categories with which the items for auction are associated, each seller designating an item category for that seller's item to be auctioned;	See Claim 11 [c] <i>supra</i> .
[d] an auction process means for executing an auction process corresponding to the item based at least in part on scheduling input received from the seller;	See Claim 11 [f] <i>supra</i> .
[e] an auction bid input means for inputting a bid for at least one of the items presented in the received page and for inputting payment information associated with the bid; and	See Claims 11 [g, h], 16 <i>supra</i> .
[f] bid transmission means for transmitting the bid and payment information via the packet-switched network to a remote bid processor system.	See Claim 11 [g] <i>supra</i> .
41. The system of claim 40 wherein the received page comprises a markup language page and wherein the auction item receiving means comprises a web browser connected via the internet to a server at the remote bid processor system.	See Claim 13 <i>supra</i> .
42. The system of claim 40 wherein the payment information identifies a credit card provided by the auction participant to pay for the item in the amount of the bid.	See Claim 17 <i>supra</i> .
166. The system of claim 40 wherein the received auction scheduling input relates to an auction duration.	See Claim 148 <i>supra</i> .
167. The system of claim 40 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.	See Claim 148 <i>supra</i> .
168. The system of claim 40 wherein the received scheduling input comprises an indication that the auction process is to be started immediately.	See Claim 150 <i>supra</i> .
169. The system of claim 40 wherein the received scheduling input consists of an indication	See Claim 150 <i>supra</i> .

⁹ Attached to this Protest as Exhibit A, No. 17.

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that the auction process is to be started immediately.	
170. The system of claim 40 wherein the received scheduling input comprises an indication that the auction process is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
171. The system of claim 40 wherein the received scheduling input comprises an indication that the auction process is to be initiated at a future time.	<i>See Claim 148 supra.</i>
43.[a] A system for auctioning a uniquely identified item over a packet-switched network, the system comprising:	<i>See Claim 40 [a] supra.</i>
[b] a database of data records, each data record relating to an item and comprising an identifier to uniquely identify the item and	<p>ACSN—Mintz (42:25-43:11)</p> <p>Q. And what information would be contained in the database, system database, with respect to the record of each item posted?</p> <p>A. Each item posted had multiple fields. It contained obviously the information about the item. It contained its unique ID that it was assigned by the system. It contained the user ID of the person that owned that item. It contained the minimum asking price of that item and also it contained the consignment date and also which auction it would go into.</p>
[c] an item category, designated by a seller of the item, under which the item is to be offered for auction;	<i>See Claim 11 [c] supra.</i>
[d] an auction system, accessible by a plurality of participants via the packet-switched network, that presents an item for auction by providing a mark-up language page of information corresponding to an item that is available for auction during a specified time, the mark-up language page of information including an indication of the item's category;	<i>See Claim 11 [e] supra.</i>
[e] wherein the auction system executes an auction process corresponding to the item based at least in part on scheduling input received from the seller of the item,	<i>See Claim 11 [f] supra.</i>
[f] receives bids from one or more of the participants over the packet-switched network and	<i>See Claim 11 [g] supra.</i>
[g] terminates the auction when one or more predetermined criteria are satisfied; and	<i>See Claim 21 [b] supra.</i>
[h] wherein the auction system transmits to a selected auction participant information about where the selected auction participant should submit payment information for the auctioned item.	<i>See Claim 20 [i] supra.</i>
44. The system of claim 43 wherein the auction system refuses to accept bids after the one	<i>See Claim 21 [b] supra.</i>

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or more predetermined criteria have been satisfied.	
45. The system of claim 43 wherein the auction system comprises a web page server interface for receiving bids from auction participants connected to the auction system via the world wide web.	<i>See Claim 13 supra.</i>
46. The system of claim 43 wherein the auction system receives payment information with each bid.	<p><i>ACSN received payment information, usually in the form of a credit card number, from each participant during registration and passed that information to an external clearinghouse to verify that participant's payment information and identity. Thereafter, each bid a participant made was associated with his or her account and the verified credit card information stored therein. Thus, although ACSN participants were not required to transmit payment information with each bid they made, each bid was associated with payment information that had already been received and verified by ACSN.</i></p> <p><i>Moreover, as secure payment processing technology developed from 1986 to 1995, it would have been obvious to one of skill in the art to receive and verify credit card information with each bid, as such verification would enhance the auction-system's integrity and ability to ensure payment could be collected without expensive and protracted efforts—two goals ACSN's founder explained were critical to a system's viability. Blankley TR at 34:19-23 ("The integrity your -- of the person operating that type of business is the greatest asset you have."); Blankley TR 30:22-31:6 at ("if after 90 days they weren't paid, they got the shaft. ... And we had to eat the loss. Of course, if it was a big amount, I had an awful greedy lawyer.").</i></p>
47. The system of claim 46 wherein the auction system receives payment information identifying a credit card account, and transmits the credit card account information to a remote verification system before processing the bid.	<i>See Claim 46 supra.</i>
48. The system of claim 47 wherein the auction system selects a bid based on the one or more predetermined criteria,	<i>See Claim 44 supra.</i>
processes the credit card account for the amount of the bid, and	<i>See Claim 15 supra.</i>
transfers legal ownership of the item to the participant that submitted the bid.	<i>See Claim 25 [c] supra.</i>
172. The system of claim 43 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
173. The system of claim 43 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>

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174. The system of claim 43 wherein the received scheduling input comprises an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
175. The system of claim 43 wherein the received scheduling input consists of an indication that the auction to be started immediately.	<i>See Claim 150 supra.</i>
176. The system of claim 43 wherein the received scheduling input comprises an indication that the auction process is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
177. The system of claim 43 wherein the received scheduling input comprises an indication that the auction process is to be initiated at a future time.	<i>See Claim 148 supra.</i>
189. The system of claim 43 wherein the received scheduling input comprises an indication that the auction process to be initiated at a future time.	<i>This claim is identical to Claim 177.</i>
209. The system of claim 43 wherein the one or more predetermined criteria are defined at least in part by the received scheduling input.	<i>See Claim 44 supra.</i>
49. [a] An auction participation system, in communication with an auction processor that processes bids for items being auctioned, for enabling participation in an online auction over a packet-switched network the auction participation system comprising:	<i>See Claim 40 [a] supra.</i>
[b] an auction page recipient means that receives from a server at the auction processor a page containing information about at least one item being auctioned, the received page including	<i>See Claim 11 [b] supra.</i>
[c] a designation of an item category with which the at least one item being auctioned is associated, the item category being specified by a seller of the item;	<i>See Claim 11 [c] supra.</i>
[d] an auction process means for conducting an internet-based auction of the item based at least in part on scheduling input received from the seller of the item;	<i>See Claim 11 [f] supra.</i>
[e] bid input means for enabling a participant to input a bid for submission to the auction processor via the packet-switched network;	<i>See Claim 11 [g] supra.</i>
[f] bid award receiving means for receiving an indication that the bid was awarded to the participant; and	ACSN—Mintz (49:10-20) Q. How was the user notified? A. They were sent a message at the end of an auction that their system -- their bid was the highest bid. The next time they logged on, they were notified at the top of their log in

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	<p>where the bulletins were. They were notified their bid was the highest bid, to contact us or we will contact them.</p> <p>Q. Was that notification on line through the computer?</p> <p>A. Yes.</p> <p>ACSN—Blankley (27:5-14):</p> <p>Q Can you describe how a user's credit card would be charged by your system?</p> <p>A Well, once the buyer and seller agreed on a deal, <i>we notified the seller</i>. And he said, "Okay. That's fine. I'll sell at this price." <i>We notified the buyer</i>. He said, "That's okay. Credit my account for that amount of money and ship me the coin" or "the piece" or whatever it was. Plus two percent on incoming, two percent outgoing. It's very simple. Like I say, there's no rocket science to it at all. It was straightforward.</p>
[g] payment information input means for enabling the participant to input payment information in response to receiving a bid award.	See Claim 11 [h] <i>supra</i> .
50. The system of claim 49 wherein the auction page receiving means comprises a web browser system that accesses a server at the auction processor to receive the page.	See Claim 13 <i>supra</i> .
51. The system of claim 49, wherein the auction participation system receives payment information with each bid.	See Claim 46 <i>supra</i> .
52. The system of claim 51 wherein the auction participation system receives payment information identifying a credit card account and transmits the credit card account information to a verification system before processing the bid.	See Claim 46 <i>supra</i> .
53. The system of claim 52 wherein the auction participation system selects a bid based on one or more predetermined criteria,	See Claim 44 <i>supra</i> .
processes the credit card account for the amount of the bid and	See Claim 15 <i>supra</i> .
transfers legal ownership of the item to the participant that submitted the bid.	See Claim 25 [c] <i>supra</i> .
178. The system of claim 49 wherein the received auction scheduling input relates to an auction duration.	See Claim 148 <i>supra</i> .
179. The system of claim 49 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.	See Claim 148 <i>supra</i> .
180. The system of claim 49 wherein the received scheduling input comprises an indication that the auction is to be started immediately.	See Claim 150 <i>supra</i> .

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181. The system of claim 49 wherein the received scheduling input consists of an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
182. The system of claim 49 wherein the received scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
183. The system of claim 49 wherein the received scheduling input comprises an indication that the auction is to be initiated at a future	<i>See Claim 148 supra.</i>
54. A system for facilitating commerce at an internet-based auction, the system comprising:	<i>See Claim 11 [a] supra.</i>
auction item receiving means for receiving from one or more auction participants information regarding an item to be posted for an auction,	<i>See Claim 11 [b] supra.</i>
the received information including a designation of a category, selected from a list of categories, under which the item is to be auctioned;	<i>See Claim 11 [c] supra.</i>
auction processor means for processing information received by the auction item receiving means and presenting the processed information in a format to be transmitted to auction participants over a packet-switched network, the format including an indication of the category of the item to be auctioned,	<i>See Claim 11 [e] supra.</i>
the auction processor means including an auction process means for executing an auction process for the item based at least in part on scheduling input received from the seller of the item; and	<i>See Claim 11 [f] supra.</i>
bid receiving means for receiving bids for the item presented to auction participants.	<i>See Claim 11 [g] supra.</i>
184. The system of claim 54 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
185. The system of claim 54 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
186. The system of claim 54 wherein the received scheduling input comprises an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
187. The system of claim 54 wherein the received input consists of an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
188. The system of claim 54 wherein the	<i>See Claim 150 supra.</i>

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received scheduling input comprises an indication that the auction process to be invoked by the seller manually.	
55. [a] A computer-implemented method of facilitating internet auctions, the method comprising:	<i>See Claim 11 [a] supra.</i>
[b] receiving information from a seller including (i) information about an item to be auctioned at a computer system programmed to receive information over a communication network, and	<i>See Claim 11 [b] supra.</i>
[c] (ii) input relating to scheduling an auction for the item,	<i>See Claim 11 [d] supra.</i>
[d] the auction item information including a selection of a predetermined category, the predetermined category selected by the seller from a predetermined list of categories maintained by the computer system;	<i>See Claim 11 [c] supra.</i>
[e] based on at least a portion of the information received from a seller, generating a unique item identifier by a program executing on the computer system;	<i>See Claim 20 [e] supra.</i>
[f] notifying the seller of the unique item identifier generated in response to receiving information about the item to be auctioned;	<p><i>The display lot numbers in auction listings notifies all auction participants—buyers and sellers—of the item identifiers generated for their items.</i></p> <p>ACSN—Mintz (40:2-13) Q. All right. And when the Acorn System posted the item for sale, what information would be posted? A. <i>The information posted would be the ID of the item,</i> what it was, the current bid price of the item, or at least the first asking price, if that was the case. If the auction just started, the owner of the item would post a minimum bid. That would be posted as well as a brief description of what the item was and its grade, if it was a coin, quality.</p>
[g] based at least in part on the received auction scheduling input, auctioning the item at the computer system with an auction process program,	<i>See Claim 11 [f] supra.</i>
[h] the auction process program indicating the predetermined category selected by the seller and identifying the item to be auctioned;	<i>See Claim 11 [e] supra.</i>
[i] presenting the auction to a plurality of auction participants via a computer network in response to a request to display information about the item to be auctioned, the request to display the item's information being processed by a computer program executing on the computer system; and	<p><i>ACSN conducted multiple, simultaneous auctions on a daily basis. To access the display for a particular auction run on ACSN's database, a participant necessarily needed to input a request to view that auction that was processed by ACSN's host computer.</i></p> <p>ACSN—Army Knives (p. 2): "The database has several different 'auctions' or 'trading floors.' ... trading floors exist for silver, gold, antiques, computers, Royal Doulton and Hummel figurines, military items, stamps, paper money and baseball cards. Blankley says other types of collectables will</p>

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	<p>be offered on the database as his list of subscribers grows.”</p> <p>ACSN—Mintz (34:25-:35:7) Q. And at the top of this list of A through Y categories it states, we have currently on line and trading items in the following categories. What did you mean when you said these were the bid boards? A. <i>Each one of these items was a separate auction running on the system.</i></p> <p>ACSN—Blankley (36:17-37:2) Q Did you also hold daily auctions on the Acorn Network service? A Well, the floors were -- you know, <i>every category was an auction</i>. There were boo coo auctions, I want that figurine, I'll pay this. And the other one will log on they're going to pay more or -- that was an ongoing process. Q So there were auctions, ongoing at all times, on the Acorn Network? THE WITNESS: Oh, yeah.</p> <p>ACSN—Mintz (40:2-13) Q. All right. And when the Acorn System posted the item for sale, what information would be posted? A. The information posted would be the ID of the item, what it was, the current bid price of the item, or at least the first asking price, if that was the case. If the auction just started, the owner of the item would post a minimum bid. That would be posted as well as a brief description of what the item was and its grade, if it was a coin, quality.</p> <p>ACSN—Advertisement: “Once the registration information is in the computer and the fee is paid you are assigned a pass word which will allow you into the system to roam at will throughout the categories listed.”</p>
[j] receiving at the computer system at least one bid on the item being auctioned,	See Claim 11 [g] <i>supra</i> .
[k] the computer system updating a display of the item's information in response to receipt of the at least one bid.	<p>ACSN—Mintz (112:4-113:16) ... The system was -- <i>the prices were updated automatically</i>. It means pretty much meaning that the person would bid a price. That thing would go through the system and then the system would post it. It wasn't -- there was a slight delay in terms of the system processing it. ... The system, you know, allowed a user to bid on that item. That would go through the process. It would update the auction. That took a little time. So pretty much, meaning it wasn't instantaneous but, yes, it did do it automatically. Q. Didn't a sys op have to at times physically intervene to have that bid price automatically updated? A. No. If it was running correctly, they didn't have to intervene at all. ...</p> <p>ACSN—Mintz (40:2-13) Q. All right. And when the Acorn System posted the item</p>

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	<p>for sale, what information would be posted?</p> <p>A. The information posted would be the ID of the item, what it was, the <i>current bid price</i> of the item ...</p>
<p>64. The method of claim 55 wherein the information received from a seller further comprises an item subcategory, selected by the seller from a list of item subcategories, under which the item is to be offered for auction.</p>	<p>See Claim 11 [c] <i>supra</i>.</p>
<p>65. The method of claim 55 wherein the information received from a seller comprises a verbal description of the item or a graphical depiction of the item or both.</p>	<p><i>ACSN received item information from sellers including verbal descriptions in messages offering items for auction. Because ACSN was a text-based system, it did not receive graphical depictions or images of items. However, it would have been obvious to one of skill in the art to receive and display images in a web-based auction system to provide purchasers greater information about a good as evidenced by Save the Earth's disclosure. Skilled artisans would have been particularly motivated to utilize such images for used and collectable goods, the value of which requires some assessment of their condition.</i></p> <p>ACSN—Army Knives (p. 1): "Acorn Collector Services Network provides its 350 subscribers descriptions of coins and other collectables. Users ... may send a message offering one of their own collectables to be sold via the network."</p> <p>ACSN—Blankley (32:4-18) Q When your system took an item in, how did you record information relating to that item in a -- A ... when we'd receive something via the system, it would usually come in as a file, a listing file, of whatever the individual had for sale. For example, say I had -- I had a list of bills I wanted to -- I wanted you to sell for me. I could -- I would sit down at the computer, list them, tell you what they were, what I thought their grade was. And I'd send it on. And then you would be notified, send me the bills. Of course, you know that already through the registration process. And once I received the bills, I verified they are what you said they were, I think your price is fair, then they go on the board.</p> <p>ACSN—Mintz (38:6-25) Q. How would the system operate to accept an item for sale, for example? A. The user, if wanted to post an item, they would post an item in the form of an item message or bid board message. That message would contain the item name, how much they believe it's valued at, what type of item it was so that we could classify it for which auction it was to go into.... Q. Could a user in 1987 provide that information with respect to an item they wanted to sell on line? A. Yes, it was done on line.</p>

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	<p>--- SECONDARY REFERENCES / KNOWLEDGE IN THE ART ---</p> <p><i>Save the Earth</i> (p. 2): "Internet users will be able to view full color images of the posters to be auctioned online..."</p>
<p>66. The method of claim 55 wherein the information received from a seller comprises a verbal description of the item, the verbal description including subjective information supplied by the seller.</p>	<p><i>See Claim 65 supra.</i></p>
<p>67. The method of claim 66 wherein the subjective information includes one or more of following: condition of the item being offered for auction, authenticity of the item being offered for auction or special features of the item being offered for auction.</p>	<p><i>See Claim 65 supra.</i></p>
<p>68. The method of claim 55 wherein, prior to supplying information, the seller registers to sell items for auction.</p>	<p><i>ACSN was only available to its registered subscribers. This registration process required the submission of specific information, such as financial and identity information, before a participant was permitted to access ACSN and offer items for auction.</i></p> <p>ACSN—Advertisement: "To participate in the ACSN one must be a registered user of the system."</p> <p>ACSN—Mintz (31:3-13) Q. What process would a user have to go through in order to register with the on-line Acorn Auction in 1987? A. He could do one of two ways. Obviously there was a paper-based way and then there was the on-line way. Both of those forms required information regarding <i>methods of payment</i>, user name, <i>name</i>, you know, address, stuff that we had to verify to get them on line as well as it listed all the charges involved.</p> <p>ACSN—Mintz (33:7-14) Q. In order for a user to register with the Acorn On-line Auction in 1987, did that user have to provide a credit card? A. They could pay by check. That would work as well; however, the auctions worked easier if they had a credit card because we could go in and directly bill their credit cards for items purchased or sold.</p> <p>ACSN—Blankley (26:6-27:4) ... Q Why did you require the credit card as part of the registration process? A <i>To verify a person's identity.</i> Q ... <i>What other reason did you collect the credit card number?</i> A <i>For payment.</i></p>

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69. The method of claim 68 wherein registering the seller comprises receiving identity information from the seller.	<i>See Claim 68 supra.</i>
70. The method of claim 68 wherein registering the seller comprises receiving financial information from the seller.	<i>See Claim 68 supra.</i>
71. The method of claim 68 wherein registering the seller comprises opening a debit / credit account for the seller.	<p><i>ACSN established an account for each participant upon registration. Each account included: an entry for each of the participant's transactions, including credits for sales and debits for purchases; and entries for subscription-fee payments owed in the form of a debt owed to ACSN (i.e., a debit).</i></p> <p>ACSN—Mintz (36:6-16) Q. What information with respect to each user was stored in that database? A. The user's database contained obviously their ID, their account information, name, address, payment information. It kept a record of their on-line time, how long they were accessing the system. It also kept a record of the transactions that they did. It had a limit, of course, to that. <i>It kept their last five current transactions and prices.</i></p> <p>ACSN—Mintz (59:7-15) Q. So, for instance, would a seller be able to on line determine what amount had been credited to his account based on a successful sale? A. On a monthly basis, it did give him like invoice information, you know. So he could see in that term, you know, how much his account had been charged over the last month, yes, accounting information.</p> <p>ACSN—Blankley (30:22-31:3) Q Did your system keep track as to whether or not sellers -- strike that. Did your system keep track of a particular seller's account regarding whether they owed you for the service fee? A Yes, it did. And we allowed that to run on 30/60/90 cycle. But if after 90 days they weren't paid, they got the shaft.</p>
72. The method of claim 71 further comprising debiting the seller's account by an amount corresponding to a seller's fee.	<i>See Claim 71 supra.</i>
73. The method of claim 71 further comprising crediting the seller's account by an amount corresponding to the purchase price of an item sold at auction.	<i>See Claim 71 supra.</i>
74. The method of claim 55 wherein the seller logs into the auction computer system from a	<i>Participants could only access ACSN using a "computing platform" such as a personal computer.</i>

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computing platform in order to provide information about an item to be auctioned.	<p>ACSN—<i>Coin Trading</i>: “Blankley said that the service will be offered primarily to consumers with personal home computers as the target market.”</p> <p>ACSN—Blankley (32:4-18) Q When your system took an item in, how did you record information relating to that item in a -- A ... when we'd receive something via the system, it would usually come in as a file, a listing file, of whatever the individual had for sale. <i>For example, say I had -- I had a list of bills I wanted to -- I wanted you to sell for me. I could -- I would sit down at the computer, list them, tell you what they were, what I thought their grade was. And I'd send it on. And then you would be notified, send me the bills. Of course, you know that already through the registration process. And once I received the bills, I verified they are what you said they were, I think your price is fair, then they go on the board.</i></p>
75. The method of claim 74 wherein the seller's computing platform comprises a personal computer, a workstation, a cable set-top device, a video game system or a portable computing device.	See Claim 74 <i>supra</i> .
76. The method of claim 55 wherein an auction participant logs into the auction computer system from a computing platform in order to browse or bid on items offered for auction.	See Claim 74 <i>supra</i> .
77. The method of claim 76 wherein the auction participant's computing platform comprises a personal computer, a workstation, a cable set-top device, a video game system or a portable computing device.	See Claim 74 <i>supra</i> .
78. The method of claim 55 wherein the seller-provided information includes a reserve price for the item to be auctioned.	<p><i>Sellers provided ACSN a minimum acceptable bid or "reserve price" with their listings.</i></p> <p>ACSN—Mintz (40:2-13) Q. All right. And when the Acorn System posted the item for sale, what information would be posted? A. The information posted would be the ID of the item, what it was, the current bid price of the item, or at least the first asking price, if that was the case. If the auction just started, <i>the owner of the item would post a minimum bid.</i> That would be posted as well as a brief description of what the item was and its grade, if it was a coin, quality.</p> <p>ACSN—Mintz (40:18-25) Q. Well, could a user either set up -- set, for example, a reserve price? A. They could set a minimum price for the auction to start. If they did not want any bids below this price, they</p>

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	<p>could set that price, yes.</p> <p>ACSN—Mintz (42:25-43:11) Q. And what information would be contained in the database, system database, with respect to the record of each item posted? A. Each item posted had multiple fields. It contained obviously the information about the item. It contained its unique ID that it was assigned by the system. It contained the user ID of the person that owned that item. It contained the minimum asking price of that item and also it contained the consignment date and also which auction it would go into.</p>
<p>79. The method of claim 78 wherein the seller's reserve price is not revealed to auction participants.</p>	<p><i>As explained above in connection with Claim 78, sellers provided ACSN a minimum acceptable bid or "reserve price" with their listings. Although ACSN posted this price as a starting bid for the auction of an item, one of ordinary skill in the art in 1995 would have been motivated to not reveal the minimum acceptable bid or reserve price, as it was well-known in the art that the use of a confidential reserve price protected a seller's interests.</i></p> <p>--- SECONDARY REFERENCES / KNOWLEDGE IN THE ART ---</p> <p><i>See, e.g., Exh. A, No. 18 at 97-98 ("The live-auction process works well when combined with the use of a reserve price establishing the minimum amount acceptable to the seller. This device protects the seller from having to 'give away' assets at unrealistically low bids, increasing the average selling price to all sellers over time.").</i></p> <p><i>See, e.g., http://www.auctioneerscanada.com/auctglos.html ("Auction with Reserve: An auction in which the seller reserves the right to accept or decline any and all bids. A minimum acceptable price may or may not be disclosed.")</i></p>
<p>80. The method of claim 55 wherein prior to bidding on an item an auction participant browses the predetermined list of categories to search for desired items on which to place bids.</p>	<p>ACSN—Advertisement: "Once the registration information is in the computer and the fee is paid you are assigned a pass word which will <i>allow you into the system to roam at will throughout the categories listed.</i>"</p> <p>ACSN—Blankley (94:18-95:3) ...Whoa. Whoa. Whoa. Whoa. Whoa. Whoa. Whoa. Whoa. That ain't what it says. It says -- the last two sentence says "Registration fee is \$35, which includes first month's time and a monthly maintenance fee of \$15. Once registration information is in the computer and the fee is paid, you are -- you are -- you are list -- <i>you are into the system and able to roam at will throughout the categories listed.</i>"</p> <p>ACSN—Blankley (16:20-17:4) Q What was your idea for the Acorn Network? A Well, we wanted to set up multiple databases and</p>

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	searchable databases, and all the categories just a little old brochure. And we had a trading floor where people could buy and sell on the floor, a virtual floor. ...
81. The method of claim 55 wherein the seller ships an item purchased at auction to a destination specified by the purchasing auction participant.	<p><i>It was well known in the art that an auction that received bids from remote locations would typically require shipment of an auctioned item to a location specified by the purchaser. ACSN's online auctions were no different. Although ACSN's operator—like the consignment node user in the '014 application—took possession of and shipped all listed goods, among these were goods ACSN itself listed as a seller. Thus, for ACSN's sale of its own goods, "the seller ships an item purchased at auction to a destination specified by the purchasing auction participant."</i></p> <p>ACSN—Coin Trading: "Nemo's mails the coins to the purchaser."</p>
82. The method of claim 55 wherein the seller-provided information includes an indication from the seller whether the item offered for auction is to be advertised to potential bidders.	<p><i>ACSN displayed advertisements of items to potential bidders within the system in the form of bulletins. Although, it is unclear whether ACSN received an indication from sellers regarding whether they wanted their item to be advertised, it would have been obvious to one skilled in the art in 1995 to include such an option to sellers. In light of ACSN's low-margin model, permitting sellers to advertise their items would offer another revenue stream for the auctioneer.</i></p> <p><i>Indeed, the utilization of advertising was among the most common revenue generators on the Internet in 1995, as demonstrated by the Keithley patent (see Exh. F ('014 BPAI decision)) and explained in Save the Earth, the "advertising and other industries are presently investing heavily in online tests and trial services aimed at tapping into what many believe will be a major marketing and sales channel in the near future."</i></p> <p>ACSN—Mintz (46:21-47:14) Q. Did the system ever -- strike that. To your knowledge, did you ever advertise any of the listings from auctions? A. The system -- you know, the auctions themselves obviously had the item, but that was not the only place. We - - you know, <i>in the system when people logged on, we posted bulletins about the auctions</i> as they were going on, and this item is hot and this item is hot. So <i>we advertised items in bulletin form</i>. From the minute the user logged on they got a series of system bulletins of what's going on at Acorn Net, and those would be some of the hot items from the auction. <i>So items from auctions were definitely advertised in the system, yes.</i></p> <p>---- SECONDARY REFERENCES / KNOWLEDGE IN THE ART ----</p> <p><i>Save the Earth (p. 1): "The telecommunications, retail, advertising and other industries are presently investing heavily in online tests and trial services aimed at tapping into</i></p>

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	<p>what many believe will be a major marketing and sales channel in the near future.”; (p. 2): “The online communications and World Wide Web access services ... are being contributed by ... Global Commerce Link.”; “GCL products and services support interactive sales transaction, marketing, <i>advertising</i>, and customer service applications on the Internet...”</p>
<p>83. The method of claim 82 wherein the advertisement appears on a main web page maintained by the auction computer system.</p>	<p><i>ACSN displayed item advertisements “in the system when people logged on.... So we advertised items in bulletin form. From the minute the user logged on they got a series of system bulletins.” ACSN was implemented before the Worldwide Web existed and therefore did not utilize a “main web page” or a “welcome” web page.</i></p> <p><i>However, given ACSN’s display of advertisements when users first logged onto the network, it would have been obvious to one skilled in the art in 1995 to display such advertisements on the “main” or “welcome” web page of an Internet-based auction.</i></p> <p>ACSN—Mintz (46:21-47:14) Q. Did the system ever -- strike that. To your knowledge, did you ever advertise any of the listings from auctions? A. The system -- you know, the auctions themselves obviously had the item, but that was not the only place. We - - you know, <i>in the system when people logged on, we posted bulletins about the auctions</i> as they were going on, and this item is hot and this item is hot. <i>So we advertised items in bulletin form.</i> From the minute the user logged on they got a series of system bulletins of what’s going on at Acorn Net, and those would be some of the hot items from the auction. <i>So items from auctions were definitely advertised in the system, yes.</i></p>
<p>84. The method of claim 83 wherein the main web page comprises a welcome page.</p>	<p><i>See Claim 83 supra.</i></p>
<p>85. The method of claim 55 further comprising notifying an auction participant that a bid by that participant has been accepted.</p>	<p><i>ACSN notified winning auction participants online that their bid had been accepted. As evidenced by the Computer Museum article, such notification was well-known in electronic auctions: “[o]nce bids were made by E-mail, participants were notified automatically by the auction software if their bids were accepted....”</i></p> <p><i>Furthermore, ACSN notified every auction participant if their bid was accepted or was below the current high bid by updating and auction’s display to indicate the current high bid and bidder.</i></p> <p>ACSN—Mintz (49:10-20) Q. How was the user notified? A. They were sent a message at the end of an auction that</p>

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	<p>their system -- their bid was the highest bid. The next time they logged on, they were notified at the top of their log in where the bulletins were. They were notified their bid was the highest bid, to contact us or we will contact them.</p> <p>Q. Was that notification on line through the computer?</p> <p>A. Yes.</p> <p>ACSN—Mintz (40:2-13)</p> <p>Q. All right. And when the Acorn System posted the item for sale, what information would be posted?</p> <p>A. The information posted would be the ID of the item, what it was, <i>the current bid price of the item</i>, or at least the first asking price, if that was the case. If the auction just started, the owner of the item would post a minimum bid. That would be posted as well as a brief description of what the item was and its grade, if it was a coin, quality.</p> <p>ACSN—Mintz (112:4-113:16)</p> <p>... The system was -- <i>the prices were updated automatically</i>. It means pretty much meaning that the person would bid a price. That thing would go through the system and then the system would post it. It wasn't -- there was a slight delay in terms of the system processing it. ... The system, you know, allowed a user to bid on that item. That would go through the process. It would update the auction. That took a little time. So pretty much, meaning it wasn't instantaneous but, yes, it did do it automatically.</p> <p>Q. Didn't a sys op have to at times physically intervene to have that bid price automatically updated?</p> <p>A. No. If it was running correctly, they didn't have to intervene at all. ...</p>
<p>86. The method of claim 55 wherein an auction participant makes electronic payment for an item purchased at auction.</p>	<p>ACSN typically used an automated means to process "electronic payment" from a participant by electronically accessing an external credit card clearing network to transfer purchase funds.</p> <p>ACSN—Mintz (95:6-15)</p> <p>Q. When you charged the credit card, that was a manual process. Isn't that right?</p> <p>A. Not -- the system would generate log to do the billing charges itself, and <i>that system was tied into the credit card system so it could bill -- the system could bill -- the on-line system could bill credit cards</i>. There was some manual process in there obviously to verify the information, but the system had the ability to bill customers.</p> <p>ACSN—Mintz (96:17-97:11)</p> <p>A. How the system would charge their credit cards?</p> <p>Q. Yes.</p> <p>A. <i>It tied into the phone line</i> and dialed in to the same way it dialed into, you know, systems to check for -- the system had ties into Dow Jones where it dialed in to get numbers for it's -- for the Gold and Silver Bullion prizes. <i>It had a dial in to a credit card system similar to the way your</i></p>

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	<i>credit card boxes work now</i> where it would transmit the numbers of transactions that went today similar to the way they work today – ...It would dial in. It dialed up -- on a scheduled basis, it would dial in transactions on a daily basis at the end of a business day.
87. The method of claim 86 wherein an auction participant makes electronic payment by providing credit card or debit card information.	See Claim 86 <i>supra</i> .
88. The method of claim 86 wherein an auction participant makes electronic payment by providing electronic funds transfer information	See Claim 86 <i>supra</i> .
89. The method of claim 86 wherein an auction participant makes electronic payment using e-money.	<p><i>ACSN cleared electronic payment in the form of automated credit card processing in the late 1980s—years before the concept of “e-money” existed. As more secure and efficient means of processing payment electronically developed in the 9 years after ACSN launched, it would have been obvious to one skilled in the art that ACSN’s automated credit card processing could be replaced with any one of a number of commercially available techniques that MercExchange conceded in its application were “well known” and “understood.” Among these was “digital cash” or “e-money,” the recognized benefits of which would have motivated one skilled in the art to implement it.</i></p> <p>---- SECONDARY REFERENCES / KNOWLEDGE IN THE ART ----</p> <p>Exh. A, No. 19 (Aug. 12, 1994): “...we’ll probably see more exciting things in the way of digital cash’ ... they have the properties of anonymity, privacy and untraceability.”</p>
90. The method of claim 55 wherein the seller-provided information includes a specified time period for the auction.	See Claim 148 <i>supra</i> .
91. The method of claim 55 wherein the auction process program indicates an opening bid for an item offered for auction.	See Claim 18 <i>supra</i> .
92. The method of claim 55 wherein the auction process program indicates a current bid for an item offered for auction.	See Claim 55 [k] <i>supra</i> .
93. The method of claim 55 wherein presenting the auction to the plurality of auction participants comprises displaying one or more of the following: a verbal description of the item offered for auction, a graphical depiction of the item offered for auction, or bid information relating to the item offered for auction.	<i>ACSN displayed a verbal description and bid information for each item offered for auction. Although ACSN could not display a graphical depiction of an item in its text based system, as explained in connection with Claim 65 above, the provision of graphical depictions was a well known benefit of web based systems and expressly described in Save the Earth.</i>

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	<p>ACSN—Mintz (40:2-13) Q. All right. And when the Acorn System posted the item for sale, what information would be posted? A. The information posted would be the ID of the item, what it was, the current bid price of the item, or at least the first asking price, if that was the case. If the auction just started, the owner of the item would post a minimum bid. That would be posted as well as a brief description of what the item was and its grade, if it was a coin, quality.</p> <p>ACSN—Army Knives (p. 1): “Acorn Collector Services Network provides its 350 subscribers descriptions of coins and other collectables. Users ... may send a message offering one of their own collectables to be sold via the network.”</p> <p>---- SECONDARY REFERENCES / KNOWLEDGE IN THE ART ----</p> <p>Save the Earth (p. 2): “Internet users will be able to view full color images of the posters to be auctioned online...”</p>
94. The method of claim 55 wherein presenting the auction to the plurality of auction participants further comprises displaying advertisements to the plurality of users.	<i>See Claim 82 supra.</i>
95. The method of claim 94 wherein the displayed advertisements relate to items offered for auction.	<i>See Claim 82 supra.</i>
96. The method of claim 94 wherein the displayed advertisements relate to goods / services offered by a third party.	<i>See Claim 82 supra.</i>
97. The method of claim 55 wherein the computer system updates the display of the item's information each time a bid higher than the current bid is received.	<i>See Claim 55 [k] supra.</i>
98. The method of claim 55 further comprising obtaining an auction participant's assent to terms of sale before accepting bids from that auction participant.	<p><i>ACSN posted the rules for each auction category that participants would be assenting to if they submitted a bid. Indeed, it was well known in the auction arts that a bidder must be informed of the terms and rules governing an auction that he or she must assent to before bidding. In any other scenario, the bidder would have no way to know how or what to bid if they wished to purchase a particular item.</i></p> <p>ACSN—Advertisement: “Our rules are simple and easy to follow. They are explained at the head of each category for trading ... We have currently on-line and trading items in the following categories ...”</p>
99. The method of claim 98 wherein the auction participant's assent is supplied via the	<i>As explained in connection with Claim 98 above, it was well known in the auction arts that a bidder must be informed of</i>

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Internet.	<i>the terms and rules governing an auction that he or she must assent to before bidding. Although, ACSN provided these terms electronically through a dial-in computer network, it is inherent that such assent would be received via the Internet in an Internet or web-based auction.</i>
190. The method of claim 55 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
191. The method of claim 55 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
192. The method of claim 55 wherein the received auction input comprises an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
193. The method of claim 55 wherein the received auction input consists of an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
194. The method of claim 55 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
195. The method of claim 55 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	<i>See Claim 148 supra.</i>
133. A computer-implemented method of facilitating Internet-based electronic auctions, the method comprising:	<i>See Claim 11 [a] supra.</i>
receiving information from a seller of an item to be auctioned, the information including	<i>See Claim 11 [b] supra.</i>
(i) information identifying the item to be auctioned and designating an item category selected by the seller from a list of item categories, and	<i>See Claim 11 [c] supra.</i>
(ii) input relating to scheduling an auction for the item;	<i>See Claim 11 [d] supra.</i>
storing at least a portion of the received information in a database of information relating to items to be auctioned;	<i>See Claim 43 [b] supra.</i>
mapping at least a portion of the received information stored in the database into a presentation format that includes the identifying information and the item category provided by the seller; displaying the presentation format to a plurality of buyers;	<i>See Claim 11 [e] supra.</i>

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based at least in part on the received auction scheduling input, conducting an online auction for the item including receiving bids on the item from one or more of the plurality of buyers; and	<i>See Claim 11 [f] supra.</i>
terminating the online auction of the item based on a predetermined condition.	<i>See Claim 44 supra.</i>
134. The method of claim 133 further comprising notifying a winning buyer that a bid submitted by the winning buyer was a winning bid.	<i>See Claim 49 [f] supra.</i>
135. The method of claim 133 wherein the information received from the seller identifying the item to be auctioned includes at least one of an item title and an item description.	<i>See Claim 65 supra.</i>
136. The method of claim 135 wherein the item description includes an electronic image of the item.	<i>See Claim 65 supra.</i>
137. The method of claim 133 wherein receiving information from a seller further comprises receiving information designating an item subcategory selected by the seller from among a list of item subcategories.	<i>See Claim 11 [c] supra.</i>
138. The method of claim 133 wherein the predetermined condition based on which the online auction is terminated comprises an occurrence of an auction termination time.	<i>See Claim 44 supra.</i>
139. The method of claim 133 wherein receiving information from a seller further comprises receiving a reserve price for the item to be auctioned.	<i>See Claim 18 supra.</i>
140. The method of claim 139 wherein the predetermined condition based on which the online auction is terminated comprises an occurrence of the reserve price being met.	<i>See Claim 18 supra.</i>
141. The method of claim 134 wherein notifying the winning buyer comprises sending the winning buyer an e-mail message.	<i>See Claim 134 supra.</i>
142. The method of claim 133 further comprising notifying the seller of an outcome of the online auction.	<i>See Claim 134 supra.</i>
143. The method of claim 142 wherein notifying the seller comprises sending the seller an e-mail message.	<i>See Claim 134 supra.</i>
144. The method of claim 143 wherein the seller is notified of the winning buyer's identity.	<i>ACSN—which was often a seller of its own goods in its online auctions—was notified of all participants' identities,</i>

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	<p>including winning buyers'.</p> <p>ACSN—Advertisement: "NAME _____"</p> <p>ACSN—Blankley (26:6-13)</p> <p>Q Sir, I'd like to talk now about what information you've collected from these people that wanted to register on-line.</p> <p>A We collected their name -- the full name, by the way -- date of birth, mother's maiden name, Social Security number, credit card number. There was one or two -- oh, desired password was one. And there was one or two others.</p>
145. The method of claim 133 wherein receiving information from the seller of the item to be auctioned further comprises receiving input relating to an advertisement for the item.	<i>See Claim 82 supra.</i>
196. The method of claim 133 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
197. The method of claim 133 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
198. The method of claim 133 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
199. The method of claim 133 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
200. The method of claim 133 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
201. The method of claim 133 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	<i>See Claim 148 supra.</i>
210. The method of claim 133 wherein the predetermined condition is defined at least in part by the received auction scheduling input.	<i>See Claim 44 supra.</i>
146. A computer-implemented method of facilitating Internet-based electronic auctions, the method comprising:	<i>See Claim 11 [a] supra.</i>

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receiving information via the Internet from sellers of items to be auctioned, each seller providing	<i>See Claim 11 [b] supra.</i>
(i) information describing an item to be auctioned and designating an item category and an item subcategory selected by the seller from a list of item categories and subcategories, and	<i>See Claim 11 [c] supra.</i>
(ii) input relating to scheduling an auction for the item;	<i>See Claim 11 [d] supra.</i>
storing at least a portion of the received information in a database of information relating to items to be auctioned;	<i>See Claim 43 [b] supra.</i>
displaying the list of item categories and subcategories via the Internet to a plurality of potential buyers,	<i>See Claim 11 [e] supra.</i>
each potential buyer being able to browse the item categories and subcategories selectively to search for a desired item offered for auction; and	<i>See Claim 80 supra.</i>
for each item to be auctioned: (i) mapping the received information stored in the database corresponding to the item into a presentation format that includes the identifying information and the item category provided by the item's seller; (ii) displaying the presentation format to a plurality of buyers;	<i>See Claim 11 [e] supra.</i>
(iii) based at least in part of the received auction scheduling input, conducting an online auction for the item	<i>See Claim 11 [f] supra.</i>
including receiving bids on the item from one or more of the plurality of buyers; and	<i>See Claim 11 [g] supra.</i>
(iv) terminating the online auction of the item based on a predetermined condition.	<i>See Claim 21 [b] supra.</i>
202. The method of claim 146 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
203. The method of claim 146 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
204. The method of claim 146 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
205. The method of claim 146 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
206. The method of claim 146 wherein the received auction scheduling input comprises an	<i>See Claim 150 supra.</i>

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indication that the auction is to be invoked by the seller manually.	
207. The method of claim 146 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	<i>See Claim 148 supra.</i>
211. The method of claim 146 wherein the predetermined condition is defined at least in part by the received auction scheduling input.	<i>See Claim 44 supra.</i>
212. A computer-implemented method of facilitating Internet-based auctions, the method comprising:	<i>See Claim 11 [a] supra.</i>
receiving input from a seller of an item to be auctioned, the received input including an identification of the item to be auctioned and	<i>See Claim 11 [b] supra.</i>
input relating to scheduling an auction for the item; and	<i>See Claim 11 [d] supra.</i>
initiating an online auction for the item based at least in part on the auction scheduling input received from the seller.	<i>See Claim 11 [f] supra.</i>
213. The method of claim 212 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
214. The method of claim 212 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
215. The method of claim 212 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
216. The method of claim 212 wherein the received auction scheduling input consists of an indication to be started immediately.	<i>See Claim 150 supra.</i>
217. The method of claim 212 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
218. The method of claim 212 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	<i>See Claim 148 supra.</i>

Appendix II

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014

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<p>11. [a] A computer-implemented method for conducting auctions on the internet, the method comprising:</p>	<p><i>The Computatelist describes a computer-implemented method for conducting mail-bid stamp auctions in which bidders could participate from remote locations without the need to travel to an auction site. The auctioneer managed administrative tasks with a computer and database to "fully automate the entire auction process, from accepting material on consignment to awarding lots to successful bidders." Exh. A, No. 23 at 4-5.</i></p> <p><i>Although the auction-related communications in the Computatelist were conducted by regular mail rather than the Internet, it would have been obvious to one of skill in the art to utilize the Internet instead of regular mail to manage these communications. One skilled in the art would have been motivated to modify a mail bid auction for operation on the Internet by The Computatelist's explanation of the inefficiencies of using regular mail:</i></p> <ul style="list-style-type: none"> <i>"In the past 5 years, the auction has climbed from about 75-100 lots every two months to around 350-400 lots. As you can imagine this has greatly taxed my spare time." Exh. A, No. 23 at 10;</i> <i>"Because of publication deadlines, bids will not arrive for at least three months after I have sent the auction listing to the publisher." Exh. A, No. 23 at 10-11.</i> <p><i>Indeed, contemporaneous postings on the USENET stamp-collecting newsgroup, rec.collecting.stamps, confirm this motivation and demonstrate that stamp collectors had recognized the benefits of, and were already conducting, Internet and web-based auctions:</i></p> <ul style="list-style-type: none"> <i>"I would like to suggest that a WWW page would be the ideal venue for an auction ... a stamp auction was recently held on a WWW page ... it was an excellent format for conducting the auction (even though none of my bids were successful ;-). I see no reason why it shouldn't be the standard for auctions in the future. ... The auction pages are still active (http://kbt.com/auction/). Exh. A, No. 20.</i> <p><i>The Computatelist¹ at 10: "I have been Auction Manager for Sports Philatelists International since 1988. In that time I have been responsible for the complete production of a sports-related philatelic mail bid sale every two months. ... Without the computer this would have almost been impossible."</i></p> <p>----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p><i>rec.collecting.stamps—Exh. A, No. 20: "I would like to suggest that a WWW page would be the ideal venue for an auction with a e-mail backup for those who can't access the Web ... a stamp auction was recently held on a WWW page. It was set up by Brendan Boelke and I think it was an excellent format for conducting the auction (even though none of my bids were successful ;-). I see no reason why it shouldn't be the standard for auctions in the future. ... The auction pages are still active (http://kbt.com/auction/). If you've got WWW access, check it out. Just my \$0.02 worth."</i></p> <p><i>rec.collecting.stamps —Exh. A, No. 22: "I would like to thank all of you who have stopped by to take a look at the auction pages I put up on the WWW. The number of people bidding has been more than I expected, and there have been a few wars going on for a couple of lots!"</i></p>

¹ The Computatelist is attached to this Protest as Exhibit A, No. 23.

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<p>[b] receiving at a communication handler program executing on a host computer information from a seller corresponding to an item for auction, the information received from the seller including</p>	<p><i>The Computatelist described receiving information from sellers corresponding to items they were consigning for auction which the auctioneer entered into a database on the auction's host computer. Although the seller provided such information by regular mail, as explained above in connection with claim 11, element [a] it would have been obvious to one skilled in the art to replace regular mail with Internet communications.</i></p> <p><i>One skilled in the art would have been motivated to receive the item information from sellers electronically at a "communication handler program" on the host computer to reduce the inefficiency of the auction operator having to enter the information into a database manually. See, e.g., The Computatelist at 10 ("In the past 5 years, the auction has climbed from about 75-100 lots every two months to around 350-400 lots. As you can imagine this has greatly taxed my spare time."). Indeed, postings by collectors on rec.collecting.stamps confirm those in the art were so motivated: "What would be really nice would be a "bid-broker" software ... [where] A seller sends his description, reserve price, cut-off-date, etc to the BidBroker." Exh. A, No. 11.</i></p> <p><i>Moreover, rec.collecting.stamps was replete with online auctions where sellers conducted auctions of their own items. The online display of item information in these auctions necessarily required that the information be received from the seller at the host computer through some form of "communication handler program."</i></p> <p style="text-align: center;"><u>INFORMATION FROM PARTICIPANT-SELLERS</u></p> <p><i>The Computatelist at 10: "When consignors begin to send material to me for Auction number xx, I create a database named 'Auction xx' in which I have the following fields ... The Abb field contains either MB (minimum bid) or EST (estimate) as the consignor desires."</i></p> <p style="text-align: center;">----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p><i>rec.collecting.stamps—Exh. A, No. 11: "What would be really nice would be a "bid-broker" software. It might work something like this: ... 2. <u>A seller sends his description, reserve price, cut-off-date, etc to the BidBroker.</u>"</i></p> <p style="text-align: center;"><u>INFORMATION FROM AUCTION-OPERATOR SELLING HIS OWN GOOD</u></p> <p><i>rec.collecting.stamps—Exh. A, No. 21: "Other Auction rule suggestions. ... Seller describes lot, specifies minimum bid. Bidders email bids. Seller posts follow up next day with name of highest bidder and what they bid. ..."</i></p> <p><i>rec.collecting.stamps—Exh. A, No. 21: "I guess I'll try this too. I had posted this item for sale, but got no responses, perhaps because I never gave an idea of what I wanted for it: LOT #2: France. Scott #37. F-VF Used. Scott Catalog Value is \$600. Minimum bid is 10% of Scott, or \$60. Will also sell to highest bidder by July 1."</i></p> <p><i>rec.collecting.stamps—Exh. A, No. 24:</i></p>

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	<p>I've decided to get in the act!! This mini auction will have the usual ONCE TWICE SOLD format that everybody seems to use. Normal terms, shipping extra at .75 a book. I reserve the right to yank anything. Don't think that'll be necessary.. Minimum raise .50, please. All books are FIRST PRINTINGS, and are NM/M condition. Please reply to harry.brown@gaquatic.shore.net, HARRY BROWN, or here.</p> <table><thead><tr><th>LOT</th><th>DESCRIPTION</th><th>BID & STATUS</th><th>BIDDER</th></tr></thead><tbody><tr><td>1</td><td>Lady Death # 1</td><td>27.00</td><td>Brian Depardo PENDING</td></tr><tr><td>2</td><td>Lady Death # 2</td><td>10.00</td><td>Geof R. Mason ONCE</td></tr><tr><td>3</td><td>Lady Death # 3</td><td>6.00</td><td>Mike D'Arezzo *SOLD*</td></tr><tr><td>4</td><td>Lady Death, Swimsuit iss.</td><td>6.00</td><td>Mike D'Arezzo *SOLD*</td></tr><tr><td>5</td><td>Shi # 1</td><td>7.50</td><td>John Lundy *SOLD*</td></tr><tr><td>6</td><td>Shi # 2</td><td>5.50</td><td>John Lundy *SOLD*</td></tr></tbody></table>	LOT	DESCRIPTION	BID & STATUS	BIDDER	1	Lady Death # 1	27.00	Brian Depardo PENDING	2	Lady Death # 2	10.00	Geof R. Mason ONCE	3	Lady Death # 3	6.00	Mike D'Arezzo *SOLD*	4	Lady Death, Swimsuit iss.	6.00	Mike D'Arezzo *SOLD*	5	Shi # 1	7.50	John Lundy *SOLD*	6	Shi # 2	5.50	John Lundy *SOLD*
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6	Shi # 2	5.50	John Lundy *SOLD*																										
<p>[c] (i) a designation of a category, selected from a list of categories, under which the item for auction is to be listed, and</p>	<p><i>The Computatelist expressly describes organizing items by category and sub-category. Although the auction operator apparently made this designation when entering item information received by mail into the database, as explained above in connection with Claim 11, element [b] it would have been obvious to one skilled in the art to replace the regular mail submission of item information with Internet communications. One of ordinary skill in the art would have been motivated to require sellers to include a designation of categories and sub-categories with other item information by The Computatelist's express disclosure of the importance of categories to stamp collectors. "Because our SPI members often have very specialized interests this [categorization] makes it easier for them to find material they might find useful to add to their collections." The Computatelist at 10.</i></p> <p>Computatelist at 10: "When consignors send material to me for Auction number xx, I create a database named 'Auction xx' in which I have the following fields: Lot #, Type (e.g., PMK, Meter...) ... In Fields labeled Des A, Des B, Des C, and Des D, I enter a description of the material beginning with a sports <u>category</u> such as 'Archery' or 'Olympics 1980 (Winter).' This allows me later to alphabetize the Des A category so that all the Archery material is numbered consecutively, etc." See also, Figure 3 at 11.</p> <p>Computatelist at 5: "The categories I mentioned are an interesting feature. Prior to entering lot information you can create a category table. You are permitted a major <u>category</u> heading such as Stampless Covers; a description, Ohio, and <u>sub-groups</u> such as Montgomery County. The category number you assign will determine the order that these appear in the auction catalog printout. ... When lot information is entered you can also provide keywords. This enables the program to create an index in the auction catalog which lists lots by collecting interest or specialty.""</p>																												
<p>[d] (ii) input relating to scheduling an auction for the item;</p>	<p><i>The Computatelist describes conducting regularly scheduled auctions in which sellers can submit their items for auction. Because sellers could select in which auction they wanted to list their items in, they inherently provided some input relating to scheduling an auction for their item.</i></p> <p><i>Although, The Computatelist describes receiving information from sellers by regular mail instead of over the Internet, as explained above in connection with Claim 11, elements [a, b], it would have been obvious to one skilled in the art to replace regular mail with Internet communications.</i></p> <p><i>The utilization of Internet communications instead of receipt of item listings by regular mail and distribution of a series of hard copy catalogs provides the</i></p>																												

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	<p><i>clear benefit of enabling auctions for individual items to proceed on their own schedule as set by the seller. Such an approach provides sellers the benefit of being able to bring their item to market when they desire (i.e., to take advantage of increased interest during a scarcity of such items) rather than having to wait for a regularly scheduled auction as regular mail bid auctions require. Indeed, this was recognized by stamp collectors on rec.collecting.stamps. See Exh. A, No. 11 ("What would be really nice would be a "bid-broker" software ... [where] A seller sends his description, reserve price, <u>cut-off-date</u>, etc to the BidBroker."). Similarly, rec.collecting.stamps was replete with auctions in which—like the '014 application—the auction operators provided scheduling input for auctions of their own items.</i></p> <p style="text-align: center;"><u>SCHEDULING INPUT FROM PARTICIPANT-SELLERS</u></p> <p><i>The Computelista at 10: "I have been Auction Manager for Sports Philatelists International since 1988. In that time I have been responsible for the complete production of a sports-related philatelic mail bid sale <u>every two months</u>. ... When <u>consignors begin to send material to me for Auction number xx</u> ..."</i></p> <p style="text-align: center;">----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p><i>rec.collecting.stamps—Exh. A, No. 11 "What would be really nice would be a "bid-broker" software. It might work something like this: ... 2. <u>A seller sends</u> his description, reserve price, <u>cut-off-date</u>, etc to the BidBroker."</i></p> <p style="text-align: center;"><u>SCHEDULING INPUT FROM OPERATOR SELLING HIS OWN GOOD</u></p> <p><i>rec.collecting.stamps—Exh. A, No. 22: "I would like to thank all of you who have stopped by to take a look at the auction pages I put up on the WWW. ... [J]ust a reminder that <u>the Auction closes at midnight on April 8.</u>"</i></p> <p><i>rec.collecting.stamps—Exh. A, No. 21: "I guess I'll try this too. I had posted this item for sale, but got no responses, perhaps because I never gave an idea of what I wanted for it: LOT #2: France. Scott #37. F-VF Used. Scott Catalog Value is \$600. Minimum bid is 10% of Scott, or \$60. Will also sell to highest bidder <u>by July 1.</u>"</i></p>
<p>[e] processing at least a portion of the received information into a presentation format by a database-to-presentation format formatting program, the presentation format including an indication of the category of the item for auction;</p>	<p><i>The Computelista describes using the host computer to process item information stored in the database into a presentation format that includes an indication of category for preparation of an auction catalog.</i></p> <p><i>Computelista at 10: "This allows me later to alphabetize the Des A category so that all the Archery material is numbered consecutively, etc. Because our SPI members often have very specialized interests this makes it easier for them to find material they might find useful to add to their collections. When all the material has arrived and I have keyboarded the descriptions ... I set up a Print Report using the database information. This serves two purposes ... 2) export of the information to the word processor. ... When I am within Microsoft Works I can manipulate the type of font I wish to use ... At this time I also check the document to make sure that page breaks don't occur in the middle of lot description."</i></p> <p><i>Computelista at 5: "The program will prepare the final auction catalog – perhaps one of its better features. ... You are permitted a major <u>category</u> heading such as Stampless Covers; a description, Ohio, and <u>sub-groups</u> such as Montgomery County. The category number you assign will determine the</i></p>

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	order that these appear in the auction catalog printout. ... When lot information is entered you can also provide keywords. This enables the program to create an index in the auction catalog which lists lots by collecting interest or specialty."
[f] based at least in part on the received auction scheduling input, conducting an auction for the item over the Internet by	See Claim 11[d] <i>supra</i> .
presenting the presentation format to a plurality of potential bidders;	<i>As explained above in connection with Claim 11, element [e], The Computatelist describes presenting item information from the auction database to potential bidders in a presentation format. Although, this presentation format was in the form of a hard copy catalog and not "over the Internet," as explained above in connection with Claim 11, elements [a, b] it would have been obvious to replace such hard copy communications with electronic distribution over the Internet. This is particularly true for presentation of auction items to bidders, as it would save the auctioneer the cost and time of publishing and mailing multiple copies of such catalogs.</i>
[g] receiving at the host computer at least, one bid on the auctioned item from a bidder; and	<p><i>The Computatelist describes receiving bids for auctioned items that are stored in the auctioneer's host computer. Although, these bids were transmitted by regular mail and not directly received "at the host computer," as explained above in connection with Claim 11, elements [a, b], it would have been obvious to replace such hard copy communications with the receipt of bids over the Internet. Indeed, one skilled in the art would have been motivated to do so by the Computatelist's express description of the inefficiency of the regular mail process: "Because of publication deadlines, bids will not arrive for at least three months after I have sent the auction listing to the publisher." The Computatelist at 10-11.</i></p> <p><i>The Computatelist at 11: "Nevertheless, when bids begin to arrive, I can use the original database to keep track of bids and bidders. Most of the fields in the original database are deleted and the Database is renamed Auction xx Bids. This leaves only Lot #, Minimum Bid, Owner and Auction # as fields. To these fields I add new fields: High Bid, High Bidder and seven other fields to allow for bidders who are not the high bidders (fig. 4)."</i></p>
[h] receiving at a host computer payment information from the bidder.	<p><i>The Computatelist describes receiving payment information from bidders and storing it in the host computer's database. Although, it is vague as to whether this information is received directly at the host computer, as explained above in connection with Claim 11, element [a] it would have been obvious to one skilled in the art to receive such information electronically to reduce delays in collecting payment for items and commissions and lessen the demands on the auctioneer.</i></p> <p><i>The Computatelist at 5: "The program will ... generate invoices and will track customer payment history, credit, etc. All the features you would expect to find in any program which maintains a database of customers and accounts are present."</i></p>
12. The method of claim 11 further comprising: passing the received payment information	<i>The Computatelist describes clearing payment for items and commissions in the form of checks delivered by regular mail. As explained in section II. F. of this Protest, the inherent inefficiencies associated with such an approach</i>

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from a host computer to an external clearinghouse; and receiving at a host computer a response from the external clearinghouse that payment has cleared.	<i>would have motivated one skilled in the art to utilize any one of a number of forms of electronic payment (e.g., credit card processing, funds transfer, credit/debit accounts, clearinghouses, e-money) in an electronic auction. As the '014 application correctly concedes, each of these techniques was "well known" by skilled artisans who "understood" how to incorporate any of them in an electronic auction.</i>
13. The method of claim 11 wherein the database-to-presentation formatting program comprises a database-to-worldwide web mapping module.	<i>As explained above in connection with Claim 11, element [e], the Computatelist describes using a "database-to-presentation" formatting program to prepare auction catalogs. Although this program was not a "database-to-worldwide web mapping" program, as explained above in connection with Claim 11, element [a], it would have been obvious to one skilled in the art to replace such hard copy communications with distribution over the Internet or Worldwide Web. Moreover, rec.collecting.stamps provided express motivation to utilized the worldwide web: "I would like to suggest that a WWW page would be the ideal venue for an auction ... a stamp auction was recently held on a WWW page. ... I see no reason why it shouldn't be the standard for auctions in the future." Exh. A, No. 20. The display of information from a database on a Worldwide Web page necessarily requires the use of a "database-to-worldwide web mapping module." Moreover, the display of information over the worldwide web necessarily utilizes a markup language—HTML.</i>
14. The method of claim 11 further comprising: receiving payment information from the bidder via a worldwide web page server executing on the host computer.	<i>See Claims 11[h], 13 supra.</i>
15. The method of claim 11 further comprising: processing the received payment information with a transaction processor to debit an account identified by the payment information.	<i>The Computatelist describes clearing payment for items and commissions in the form of checks delivered by regular mail. As explained in section II. F. of this Protest, the inherent inefficiencies associated with such an approach would have motivated one skilled in the art to utilize any one of a number of forms of electronic payment (e.g., credit card processing, funds transfer, credit/debit accounts, clearinghouses, e-money) in an electronic auction. As the '014 application correctly concedes, each of these techniques was "well known" by skilled artisans who "understood" how to incorporate any of them in an electronic auction.</i>
16. The method of claim 11 further comprising: associating the payment information with the bid received from the bidder.	<p><i>The Computatelist describes associating a winning bidder's payment information with their bid, explaining that "[a]s payment for auction lots begins to come in, I enter the winning bidders and amount owed in a spreadsheet titled Auction xx \$\$... [so] I can always have a current accounting of the auction." The Computatelist at 11. Moreover, The Computatelist's description of "track[ing] customer payment history [and] credit" necessarily requires associating a bidder's payment information with their bids.</i></p> <p><i>The Computatelist at 5: "The program will ... generate invoices and will track customer payment history, credit, etc. All the features you would expect to find in any program which maintains a database of customers and accounts are present."</i></p>

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	<p><i>The Computelist at 11:</i> "As payment for auction lots begins to come in, I enter the winning bidders and amount owed into a spreadsheet titled Auction xx \$\$ along with information on consignors, etc. Some are charged 10 percent commission while others (non-SPI members) are charged 15 percent commission. All of this information is set up in such a way that I can always have a current accounting of the auction."</p>
<p>17. The method of claim 11 wherein the payment information identifies a credit card account.</p>	<p><i>The Computelist describes clearing payment for items and commissions in the form of checks delivered by regular mail. As explained in section II. F. of this Protest, the inherent inefficiencies associated with such an approach would have motivated one skilled in the art to utilize any one of a number of forms of electronic payment (e.g., credit card processing, funds transfer, credit/debit accounts, clearinghouses, e-money) in an electronic auction. As the '014 application correctly concedes, each of these techniques was "well known" by skilled artisans who "understood" how to incorporate any of them in an electronic auction.</i></p>
<p>18. The method of claim 11 wherein the information received from the seller includes a price for the auction item.</p>	<p><i>The Computelist describes receiving a "minimum bid" or "estimate" price from sellers. Moreover, the benefits of using a seller-specified reserve price was widely known in the auction arts: "The live-auction process works well when combined with the use of a reserve price establishing the minimum amount acceptable to the seller. This device protects the seller from having to 'give away' assets at unrealistically low bids, increasing the average selling price to all sellers over time." Exh. A, No. 18 at at 97-98. One skilled in the art would have been motivated to use such reserve prices to increase the sales prices and resulting commissions discussed in The Computelist. Indeed, the use of reserve prices was widely known as demonstrated by a number of rec.collecting.stamps postings.</i></p> <p><i>The Computelist at 10:</i> "The Abb field contains either MB (minimum bid) or EST (estimate) as the consignor desires."</p> <p>----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p><i>rec.collecting.stamps—Exh. A, No. 21:</i> "If no bids follow after than mark lot sold. So if no one bid your reserve price, in three days, that lot would be sold back to you sorta. "</p> <p><i>rec.collecting.stamps—Exh. A, No. 21:</i> "I think it should be good practice to state a reserve (you can always say it is \$0!)"</p> <p><i>rec.collecting.stamps—Exh. A, No. 11:</i> "A seller sends his description, reserve price, cut-off-date, etc to the BidBroker."</p>
<p>19. The method of claim 11 wherein the presentation format comprises a hypertext markup language format.</p>	<p><i>See Claim 13 supra.</i></p>
<p>147. The method of claim 11 or 26 wherein the communication handler program comprises a Unix daemon.</p>	<p><i>The Computelist described the use of a host computer and database to "fully automate the entire auction process, from accepting material on consignment to awarding lots to successful bidders." The Computelist at 4-5. Although the Computelist did not discuss using a Unix daemon because its</i></p>

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	<p><i>communications were conducted by regular mail, as explained above in connection with Claim 11, element [a], it would have been obvious to replace these communications with Internet distribution.</i></p> <p><i>Internet communications necessarily involve some form of "daemon," which is simply a software "process that runs in the background and performs a specified operation at predefined times or in response to certain events." Moreover, it was well known in the art that Internet communications and auction could be implemented using any operating system, including UNIX. See, e.g., Exh. A., No. 6: "An EIT developer, Eric Rescorla, implemented the auction application using the company's ServiceMail public domain toolkit, Tenenbaum said. ServiceMail transforms UNIX applications into network service via E-mail, he said."</i></p> <p>----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p>http://www.webopedia.com/TERM/d/daemon.html²</p> <p><i>"daemon: A process that runs in the background and performs a specified operation at predefined times or in response to certain events. The term daemon is a UNIX term, though many other operating systems provide support for daemons ... Typical daemon processes include print spoolers, e-mail handlers, and other programs that perform administrative tasks for the operating system.</i></p>
<p>148. The method of claim 11 wherein the received auction scheduling input relates to an auction duration.</p>	<p><i>The Compulatelist describes conducting regularly scheduled auctions in which sellers can submit their items for auction. Because sellers could select which auction they wanted to list their items in, they inherently provided some input relating to scheduling an auction for their item. Although The Compulatelist is vague as to scheduling input relating to auction duration, it was well known in the art—as evidenced by a host of rec.collecting.stamps postings—for sellers to provide scheduling input relating to auction duration in online implementations of mail bid auctions such as those described in the Compulatelist, the benefits of which are explained above in connection with Claim 11, elements [a, d].</i></p> <p>----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p><u>SCHEDULING INPUT FROM PARTICIPANT-SELLERS</u></p> <p><i>rec.collecting.stamps—Exh. A, No. 11: "What would be really nice would be a "bid-broker" software. It might work something like this: 2. A seller sends his description, reserve price, <u>cut-off-date</u>, etc to the BidBroker. ... 4. <u>On the cut-off-date, the BidBroker determines the winning bidder</u> and the winning price (realisation) and forwards this info to the seller and the winning bidder."</i></p> <p><u>INPUT FROM AUCTION-OPERATOR SELLING HIS OWN GOOD</u></p> <p><i>rec.collecting.stamps—Exh. A, No. 22: "I would like to thank all of you who have stopped by to take a look at the auction pages I put up on the WWW. ... [J]ust a reminder that <u>the Auction closes at midnight on April 8.</u>"</i></p> <p><i>rec.collecting.stamps—Exh. A, No. 21: "I guess I'll try this too. I had posted this item for sale, but got no responses, perhaps because I never gave an idea of what I wanted for it: LOT #2: France. Scott #37. F-VF Used. Scott Catalog</i></p>

² Attached to this Protest as Exh. A, No. 16.

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	Value is \$600. Minimum bid is 10% of Scott, or \$60. <u>Will also sell to highest bidder by July 1.</u> "
149. The method of claim 11 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	See Claim 148 <i>supra</i> .
150. The method of claim 11 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.	<p><i>The Computelists disclose conducting regularly scheduled auctions among which a seller may select an auction to enter their items. Although The Computelists does not expressly describe a seller designating that an auction is to start immediately or be manually invoked, as discussed above in connection with Claim 11, elements [a, b] one skilled in the art would be motivated to implement the mail bid auctions of The Computelists online.</i></p> <p><i>The utilization of Internet communications instead of receipt of item listings by regular mail and distribution of a series of hard copy catalogs provides the clear benefit of enabling auctions for individual items to proceed on their own schedule as set by the seller. Thus, a seller need not wait for a regularly scheduled auction, but rather could bring their item to market when they desire (i.e., to take advantage of increased interest during a scarcity of such items) and manually invoke an immediate start of the auction of their items as online.</i></p> <p><i>Moreover, where a seller conducts an auction of their own goods—as described in the '014 application and a number of rec.collecting.stamps postings—the auction-operator/seller customarily manually invoked the start of an auction immediately upon posting their auction.</i></p> <p>----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p><u>PARTICIPANT SELLERS</u></p> <p><i>rec.collecting.stamps—Exh. A, No. 21:</i> "There is card auction going on every day of the week."</p> <p><i>rec.collecting.stamps—Exh. A, No. 11:</i> "What would be really nice would be a "bid-broker" software. It might work something like this: ... 2. A seller sends his description, reserve price, cut-off-date, etc to the BidBroker."</p> <p><u>SELLERS CONDUCTING THEIR OWN AUCTION</u></p> <p><i>rec.collecting.stamps—Exh. A, No. 21::</i> " <u>I'll try one right here</u> - LOT #1 Scott #477 Italy 100 Lire - VF NH Condition Scott Catalog Value for NH is \$400. Will sell to highest bidder by July 1, 1994. Just place your bids right here (I hope this works) this is a really nice stamp."</p> <p><i>rec.collecting.stamps—Exh. A, No. 24:</i></p>

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	<p>I've decided to get in the act!! This mini auction will have the usual ONCE TWICE SOLD format that everybody seems to use. Normal terms, shipping extra at .75 a book. I reserve the right to yank anything. Don't think that'll be necessary.. Minimum raise .50, please. All books are FIRST PRINTINGS, and are NM/W condition. Please reply to harry.brown@aquatic.shore.net, HARRY BROWN, or here.</p> <table><thead><tr><th>LOT</th><th>DESCRIPTION</th><th>BID & STATUS</th><th>BIDDER</th></tr></thead><tbody><tr><td>1</td><td>Lady Death # 1</td><td>27.00</td><td>Brian Depardo PENDING</td></tr><tr><td>2</td><td>Lady Death # 2</td><td>10.00</td><td>Geof R. Mason ONCE</td></tr><tr><td>3</td><td>Lady Death # 3</td><td>6.00</td><td>Mike D'Arezzo *SOLD*</td></tr><tr><td>4</td><td>Lady Death, Swimsuit iss.</td><td>6.00</td><td>Mike D'Arezzo *SOLD*</td></tr><tr><td>5</td><td>Shi # 1</td><td>7.50</td><td>John Lundy *SOLD*</td></tr><tr><td>6</td><td>Shi # 2</td><td>5.50</td><td>John Lundy *SOLD*</td></tr></tbody></table>	LOT	DESCRIPTION	BID & STATUS	BIDDER	1	Lady Death # 1	27.00	Brian Depardo PENDING	2	Lady Death # 2	10.00	Geof R. Mason ONCE	3	Lady Death # 3	6.00	Mike D'Arezzo *SOLD*	4	Lady Death, Swimsuit iss.	6.00	Mike D'Arezzo *SOLD*	5	Shi # 1	7.50	John Lundy *SOLD*	6	Shi # 2	5.50	John Lundy *SOLD*
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151. The method of claim 11 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.	See Claim 150 <i>supra</i> .																												
152. The method of claim 11 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	See Claim 150 <i>supra</i> .																												
153. The method of claim 11 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	See Claim 148 <i>supra</i> .																												
20. [a] A computer-implemented method of conducting auctions on the internet, the method comprising:	See Claim 11 [a] <i>supra</i> .																												
[b] receiving information about an item to be auctioned, the received information including	See Claim 11 [b] <i>supra</i> .																												
[c] (i) a designation of a category, selected from a list of categories, under which the item is to be auctioned, and	See Claim 11 [c] <i>supra</i> .																												
[d] (ii) input relating to scheduling an auction for the item;	See Claim 11 [d] <i>supra</i> .																												
[e] generating a tracking identifier to identify the item to be auctioned;	<i>The Computelists describes generating a tracking identifier of "lot number" to identify each item to be auctioned and storing that identifier in the item's data record. As evidenced by a number of rec.collecting.stamps postings, the use of lot numbers or other identifiers was customary practice in online auctions. Furthermore, it is inherent that some "tracking identifier" is generated within a database to distinguish among data records like those described for each item in The Computelists.</i>																												

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	<p><i>The Computelist</i> at 5: "Assign lot numbers"</p> <p><i>The Computelist</i> at 10: "When consignors begin to send material for Auction number xx, I create a database named 'Auction xx' in which I have the following fields: <u>Lot #</u>."</p> <p>----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p><i>rec.collecting.stamps—Exh. A, No. 11</i>: "What would be really nice would be a "bid-broker" software. It might work something like this: ... 2. A seller sends his description, reserve price, cut-off-date, etc to the BidBroker. 3. <u>The BidBroker assigns a lot number to the description</u>, and forwards it to the list of registered bidders."</p> <p><i>rec.collecting.stamps—Exh. A, No. 24</i>:</p> <p>I've decided to get in the act!! This mini auction will have the usual ONCE TWICE SOLD format that everybody seems to use. Normal terms, shipping extra at .75 a book. I reserve the right to yank anything. Don't think that'll be necessary.. Minimum raise .50, please. All books are FIRST PRINTINGS, and are NM/W condition. Please reply to harry.brown@aquatic.shore.net, HARRY BROWN, or here.</p> <table><tr><th>LOT</th><th>DESCRIPTION</th><th>BID & STATUS</th><th>BIDDER</th></tr><tr><td>1</td><td>Lady Death # 1</td><td>27.00</td><td>Brian Depardo PENDING</td></tr><tr><td>2</td><td>Lady Death # 2</td><td>10.00</td><td>Geof R. Mason ONCE</td></tr><tr><td>3</td><td>Lady Death # 3</td><td>6.00</td><td>Mike D'Arezzo *SOLD*</td></tr><tr><td>4</td><td>Lady Death, Swimsuit iss.</td><td>6.00</td><td>Mike D'Arezzo *SOLD*</td></tr><tr><td>5</td><td>Shi # 1</td><td>7.50</td><td>John Lundy *SOLD*</td></tr><tr><td>6</td><td>Shi # 2</td><td>5.50</td><td>John Lundy *SOLD*</td></tr></table>	LOT	DESCRIPTION	BID & STATUS	BIDDER	1	Lady Death # 1	27.00	Brian Depardo PENDING	2	Lady Death # 2	10.00	Geof R. Mason ONCE	3	Lady Death # 3	6.00	Mike D'Arezzo *SOLD*	4	Lady Death, Swimsuit iss.	6.00	Mike D'Arezzo *SOLD*	5	Shi # 1	7.50	John Lundy *SOLD*	6	Shi # 2	5.50	John Lundy *SOLD*
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[f] processing at least a portion of the received information to create a presentation format corresponding to the item to be auctioned, the presentation format including an indication of the category of the item to be auctioned;	See Claim 11 [e] <i>supra</i> .																												
[g] based at least in part on the received auction scheduling input, conducting an auction for the item over the Internet by presenting the presentation format to a plurality of internet participants;	See Claim 11 [f] <i>supra</i> .																												
[h] receiving at least one bid for the item from at least one internet participant;	See Claim 11 [g] <i>supra</i> .																												
[i] providing to the internet participant instructions for sending payment information to pay for the auctioned item.	<i>The Computelist</i> describes providing payment instructions for sending payment information in the form of automatically generated invoices. Indeed, to receive payment, some instructions must be provided regarding where and how to send payment either before the auction or when the winning bidder is																												

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	<p><i>notified.</i></p> <p><i>Although Claim 20 does not require such instructions be provided electronically, as demonstrated by rec.collecting.stamps postings, it was well known that such instructions would be provided electronically in online implementations of mail bid auctions.</i></p> <p>The Computelist at 5: "The program ... will generate invoices and will track customer payment history...."</p> <p>The Computelist at 11: "As payment for auction lots begins to come in..."</p> <p>----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p>rec.collecting.stamps E 0295165-66: "...Payment must be in check in US dollars drawn on a US bank (can be purchased from most banks around the world) ..."</p>
<p>21. [a] The method of claim 20 wherein conducting an auction for the item comprises opening an auction process to participants on the internet; and</p>	<p><i>See Claim 11 [a] supra.</i></p>
<p>[b] further comprising automatically closing the auction process to the internet participants based on a predetermined condition.</p>	<p><i>The Computelist describes closing auctions pursuant to predetermined rules established for those auctions. Indeed, all auctions are closed based on a predetermined condition, be it reaching an end time, passage of a period of time without a higher bid, the seller's acceptance of a bid, or reaching a particular price.</i></p> <p><i>Although The Computelist describes conducting auction-related communications by regular mail, as explained above in connection with claim 11, element [a] above it would have been obvious to implement such communications over the Internet. As a number of postings on rec.collecting.stamps demonstrate, it was well known in the art that electronic auctions—like all other auctions—must be closed to participants based on a predetermined condition.</i></p> <p>Computelist at 10, 11: "At this time, I copy an auction template to the beginning of each listing. This template lists the auction rules..."; "As soon as the auction closes"</p> <p>----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p>rec.collecting.stamps—Exh. A, No. 22: "I would like to thank all of you who have stopped by to take a look at the auction pages I put up on the WWW. ... [J]ust a reminder that <u>the Auction closes at midnight on April 8.</u></p> <p>rec.collecting.stamps—Exh. A, No. 21: "Any day when there is no new bids, seller marks lot as 'going once', when there are two consecutive days with out any action on a lot, seller posts 'going twice'. If no bids follow after than mark lot sold. "</p> <p>rec.collecting.stamps—Exh. A, No. 11: "What would be really nice would be a "bid-broker" software. It might work something like this: ... 4. <u>On the cut-</u></p>

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	<i>off-date</i> , the BidBroker determines the winning bidder and the winning price (realisation) and forwards this info to the seller and the winning bidder."
22. The method of claim 20 further comprising: receiving the bid for the auctioned item via a world wide web page server interface.	See Claim 13 <i>supra</i> .
23. The method of claim 20 further comprising: receiving payment information from the participant, the payment information being associated with the bid.	See Claim 16 <i>supra</i> .
24. The method of claim 20 further comprising: receiving from the participant payment information identifying a credit card account,	See Claim 17 <i>supra</i> .
passing the credit card account information to a clearinghouse and receiving authorization from the clearinghouse that payment with the credit card has cleared.	See Claim 12 <i>supra</i> .
25. [a] The method of claim 20 further comprising: receiving payment information from the participant,	See Claim 11 [h] <i>supra</i> .
[b] clearing the payment information, and	<i>The Compulatelist describes clearing payment for items and commissions in the form of checks delivered by regular mail. As explained in section II. F. of this Protest, the inherent inefficiencies associated with such an approach would have motivated one skilled in the art to utilize any one of a number of forms of electronic payment (e.g., credit card processing, funds transfer, credit/debit accounts, clearinghouses, e-money) in an electronic auction. As the '014 application correctly concedes, each of these techniques was "well known" by skilled artisans who "understood" how to incorporate any of them in an electronic auction.</i>
[c] transferring legal ownership of the item to the participant.	<i>The Compulatelist, like the '014 application, describes sellers consigning their items to the auction operator who ships the item to the winning bidder. This physical shipment of a good to a buyer transfers legal ownership of that item—absent some contrary agreement—as a matter of law. Section 2-401 of the Uniform Commercial Code (UCC), which governs transactions in the sales of goods, provides: "Unless otherwise explicitly agreed title passes to the buyer at the time and place at which the seller completes his performance with respect to physical delivery of the goods." UCC § 2-401 (2). Thus, a seller shipping a good in an auction he or she conducted transfers ownership of that good.</i> <i>Similarly, an auction system's shipment of a good consigned to it by a seller transfers legal ownership of that good: "Any entrusting possession of goods to a merchant who deals in goods of that kind gives him power to transfer all</i>

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	<p><i>rights of the entruster to a buyer in the ordinary course of business.” UCC § 2-403 (2). Thus, by entrusting an offered good to an auctioneer which dealt such collectable items, a seller authorized the auctioneer to transfer legal ownership. See § 2-403 (3) (“‘Entrusting’ includes any delivery and acquiescence in retention of possession for the purpose of sale, obtaining offers to purchase, locating a buyer, or the like.”).</i></p> <p><i>The Computelists at 11: “It usually takes me about two weeks to completely package and send out the auction lots.”</i></p>
154. The method of claim 20 wherein the received auction scheduling input relates to an auction duration.	See Claim 148 <i>supra</i> .
155. The method of claim 20 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	See Claim 148 <i>supra</i> .
156. The method of claim 20 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.	See Claim 150 <i>supra</i> .
157. The method of claim 20 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.	See Claim 150 <i>supra</i> .
158. The method of claim 20 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	See Claim 150 <i>supra</i> .
159. The method of claim 20 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	See Claim 148 <i>supra</i> .
208. The method of claim 21 wherein the predetermined condition is defined at least in part by the received auction scheduling input.	<p><i>As explained above in connection with Claim 21[b], all auctions are closed based on a predetermined condition, be it reaching an end time, passage of a period of time without a higher bid, the seller’s acceptance of a bid, or reaching a particular price. As explained in a number of rec.collecting.stamps postings, it was well known to terminate electronic auctions based on scheduling input (i.e., a cutoff date) provided by the seller.</i></p> <p>----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p>

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	<p><i>rec.collecting.stamps—Exh. A, No. 22:</i> “I would like to thank all of you who have stopped by to take a look at the auction pages I put up on the WWW. ... [J]ust a reminder that <u>the Auction closes at midnight on April 8.</u></p> <p><i>rec.collecting.stamps—Exh. A, No. 11:</i> “What would be really nice would be a “bid-broker” software. It might work something like this: ... 4. <u>On the cut-off-date</u>, the BidBroker determines the winning bidder and the winning price (realisation) and forwards this info to the seller and the winning bidder.”</p>
33. A system for conducting auctions on the internet, the system comprising:	See Claim 11 [a] <i>supra</i> .
an auction item presentation means for presenting items for auction-to-auction participants connected via the internet, the auction item presentation means presenting items for auction arranged into item categories,	See Claim 11 [e] <i>supra</i> .
each item for auction being associated with an item category designated by a seller of the item to be auctioned;	See Claim 11 [c] <i>supra</i> .
an auction process means for executing an auction process for the item based at least in part on scheduling input received from the seller;	See Claim 11 [f] <i>supra</i> .
an auction bid recipient means for receiving, during the auction process, at least one bid for an item being presented by the auction item presentation means; and	See Claim 11 [g] <i>supra</i> .
payment recipient means for receiving payment information from a bidding participant,	See Claim 11 [h] <i>supra</i> .
the payment information corresponding to the item for which the bid was received.	See Claim 16 <i>supra</i> .
34. The system of claim 33 further comprising payment verification means for passing received payment information to an external clearinghouse for verification.	See Claim 12 <i>supra</i> .
35. The system of claim 33 wherein the auction item presentation means comprises a database-to-presentation formatting program for mapping information from a database into a	See Claim 13 <i>supra</i> .

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worldwide web format.	
36. The system of claim 33 further comprising: a transaction processor to debit an account identified by the payment information if the received bid is approved.	<i>See Claim 15 supra.</i>
37. The system of claim 33 wherein the received payment information identifies a credit card.	<i>See Claim 17 supra.</i>
38. The system of claim 36 wherein the payment information identifies a credit card and	<i>See Claim 17 supra.</i>
wherein the transaction processor charges the credit card for the payment associated with the approved bid.	<i>See Claim 15 supra.</i>
39. The system of claim 33 wherein the auction item presentation means presents the auction item information as a markup language page.	<i>See Claim 13 supra.</i>
160. The system of claim 33 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
161. The system of claim 33 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
162. The system of claim 33 wherein the received scheduling input comprises an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
163. The system of claim 33 wherein the received scheduling input consists of an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
164. The system of claim 33 wherein the received scheduling input comprises an indication that	<i>See Claim 150 supra.</i>

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the auction process is to be invoked by the seller manually.	
165. The system of claim 33 wherein the received scheduling input comprises an indication that the auction process is to be initiated at a future time.	See Claim 148 <i>supra</i> .
40. [a] An auction participant system for enabling participation in an online auction conducted over a packet-switched network, the auction participants including sellers of items to be auctioned and bidders on the items to be auctioned, the system comprising:	<p><i>The Computelists describes a computer-implemented method for conducting mail-bid stamp auctions in which bidders could participate from remote locations without the need to travel to an auction site. Although the auctions were not conducted by regular mail, as explained above in connection with claim 11, element [a], it would have been obvious to implement the mail bid auctions described in the Computelists over the Internet or Worldwide Web—both of which inherently operate over a “packet-switched network.”</i></p> <p>----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p>See http://computer.howstuffworks.com/router.htm/printable.³ (“Internet data, whether in the form of a Web page, a downloaded file or an e-mail message, travels over a system known as a packet-switching network.”)</p>
[b] an auction item receiving means for receiving a page of information including one or more items available for auction,	See Claim 11 [b] <i>supra</i> .
[c] the received page of information including a designation of item categories with which the items for auction are associated, each seller designating an item category for that seller’s item to be auctioned;	See Claim 11 [c] <i>supra</i> .
[d] an auction process means for executing an auction process corresponding to the item based at least in part on scheduling input received from the seller;	See Claim 11 [f] <i>supra</i> .
[e] an auction bid input means for inputting a bid for at least one of the items presented in the received page and for inputting payment information associated with the bid; and	See Claim 11 [g, h] <i>supra</i> .
[f] bid transmission means for transmitting the bid and payment information via the packet-switched network to a remote bid processor system.	See Claim 11 [g] <i>supra</i> .

³ Attached to this Protest as Exhibit A, No. 17.

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41. The system of claim 40 wherein the received page comprises a markup language page and wherein the auction item receiving means comprises a web browser connected via the internet to a server at the remote bid processor system.	<i>See Claim 13 supra.</i>
42. The system of claim 40 wherein the payment information identifies a credit card provided by the auction participant to pay for the item in the amount of the bid.	<i>See Claim 17 supra.</i>
166. The system of claim 40 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
167. The system of claim 40 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
168. The system of claim 40 wherein the received scheduling input comprises an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
169. The system of claim 40 wherein the received scheduling input consists of an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
170. The system of claim 40 wherein the received scheduling input comprises an indication that the auction process is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
171. The system of claim 40 wherein the received scheduling input comprises an indication that the auction process is to be initiated at a future time.	<i>See Claim 148 supra.</i>
43. [a] A system for auctioning a uniquely identified item over a packet-switched network, the	<i>See Claim 40[a] supra.</i>

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<p>system comprising:</p> <p>[b] a database of data records, each data record relating to an item and comprising an identifier to uniquely identify the item and</p>	<p><i>The Computelists</i> at 10: "When consignors begin to send material to me for Auction number xx, I create a database named 'Auction xx' in which I have the following fields: Lot #, Type (e.g., PMK, Meter, **, U, etc.), Des A, Des B, Des C, Des D, Bid, Owner and Auction, as shown in Figure 1."</p> <div data-bbox="777 436 1192 837" style="border: 1px solid black; padding: 5px; margin: 10px auto; width: fit-content;"> <p>Record 274 of 284 (284 selected)</p> <p>=====;</p> <p>#274</p> <p>Type: FDC,V</p> <p>Des A: Tennis, Israel, 1987 Hapeol Games Stamps</p> <p>Des B: tied by National Stamp Exhibition cancel</p> <p>Des C: (14 Apr 87) and tennis seal of games</p> <p>Des D: addressed, cacheted</p> <p>Abb: MB</p> <p>Bid: 4.00</p> <p>Owner: Sam Collector</p> <p>Auction: 46</p> </div> <p style="text-align: center;">Fig. 1 Appleworks Database Record</p>
<p>[c] an item category, designated by a seller of the item, under which the item is to be offered for auction;</p>	<p style="text-align: center;"><i>See Claim 11 [c] supra.</i></p>
<p>[d] an auction system, accessible by a plurality of participants via the packet-switched network, that presents an item for auction by providing a mark-up language page of information corresponding to an item that is available for auction during a specified time, the mark-up language page of information including an indication of the item's category;</p>	<p style="text-align: center;"><i>See Claim 11 [e] supra.</i></p>
<p>[e] wherein the auction system executes an auction process corresponding to the item based at least in part on scheduling input received from the seller of the item,</p>	<p style="text-align: center;"><i>See Claim 11 [f] supra.</i></p>
<p>[f] receives bids from one or more of the participants over the packet-switched network and</p>	<p style="text-align: center;"><i>See Claim 11 [g] supra.</i></p>
<p>[g] terminates the auction when one or more predetermined criteria are satisfied; and</p>	<p style="text-align: center;"><i>See Claim 21 [b] supra.</i></p>
<p>[h] wherein the auction system</p>	<p style="text-align: center;"><i>See Claim 20 [i] supra.</i></p>

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transmits to a selected auction participant information about where the selected auction participant should submit payment information for the auctioned item.	
44. The system of claim 43 wherein the auction system refuses to accept bids after the one or more predetermined criteria have been satisfied.	See Claim 21 [b] <i>supra</i> .
45. The system of claim 43 wherein the auction system comprises a web page server interface for receiving bids from auction participants connected to the auction system via the world wide web.	See Claim 13 <i>supra</i> .
46. The system of claim 43 wherein the auction system receives payment information with each bid.	<i>As secure payment processing technology developed between the Compulatelists' publication in January 1993 at April 1995, it would have been obvious to one of skill in the art to receive and verify payment information with each bid, as such verification would enhance the auction-system's integrity and ability to ensure payment could be collected without expensive and protracted efforts.</i>
47. The system of claim 46 wherein the auction system receives payment information identifying a credit card account, and transmits the credit card account information to a remote verification system before processing the bid.	See Claim 46 <i>supra</i> .
48. The system of claim 47 wherein the auction system selects a bid based on the one or more predetermined criteria,	See Claim 44 <i>supra</i> .
processes the credit card account for the amount of the bid, and	See Claim 15 <i>supra</i> .
transfers legal ownership of the item to the participant that submitted the bid.	See Claim 25 [c] <i>supra</i> .
172. The system of claim 43 wherein the received auction scheduling input relates to an auction duration.	See Claim 148 <i>supra</i> .
173. The system of claim 43 wherein the received scheduling	See Claim 148 <i>supra</i> .

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input relates to one or both of an auction starting time and an auction ending time.	
174. The system of claim 43 wherein the received scheduling input comprises an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
175. The system of claim 43 wherein the received scheduling input consists of an indication that the auction to be started immediately.	<i>See Claim 150 supra.</i>
176. The system of claim 43 wherein the received scheduling input comprises an indication that the auction process is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
177. The system of claim 43 wherein the received scheduling input comprises an indication that the auction process is to be initiated at a future time.	<i>See Claim 148 supra.</i>
189. The system of claim 43 wherein the received scheduling input comprises an indication that the auction process to be initiated at a future time.	<i>This claim is identical to Claim 177.</i>
209. The system of claim 43 wherein the one or more predetermined criteria are defined at least in part by the received scheduling input.	<i>See Claim 44 supra.</i>
49. [a] An auction participation system, in communication with an auction processor that processes bids for items being auctioned, for enabling participation in an online auction over a packet-switched network the auction participation system comprising:	<i>See Claim 40[a] supra.</i>
[b] an auction page recipient means that receives from a server at the auction processor a page containing information	<i>See Claim 11 [b] supra.</i>

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about at least one item being auctioned, the received page including	
[c] a designation of an item category with which the at least one item being auctioned is associated, the item category being specified by a seller of the item;	See Claim 11 [c] <i>supra</i> .
[d] an auction process means for conducting an internet-based auction of the item based at least in part on scheduling input received from the seller of the item;	See Claim 11 [f] <i>supra</i> .
[e] bid input means for enabling a participant to input a bid for submission to the auction processor via the packet-switched network;	See Claim 11 [g] <i>supra</i> .
[f] bid award receiving means for receiving an indication that the bid was awarded to the participant; and	<p><i>The Computelists describes a computer-implemented means of awarding winning bids to participants. Although the notification to the winning bidder in the Computelists was done by regular mail, as discussed above in connection with Claim 11, elements [a, b] it would have been obvious to transmit such communications online. Moreover, as evidence by rec.collecting.stamps postings, awarding winning bids is a necessary part of any auction—electronic or otherwise.</i></p> <p><i>The Computelists at 4: "[T]his program can accomplish ... 4. Accept[ing] bids ... 5. Award[ing] the lots..."</i></p> <p>----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p><i>rec.collecting.stamps—Exh. A, No. 11: "What would be really nice would be a "bid-broker" software. It might work something like this: ... 4. On the cut-off-date, the BidBroker determines the winning bidder and the winning price (realisation) and forwards this info to the seller and the winning bidder. The seller and winning bidder communicate directly to complete the transaction.</i></p>
[g] payment information input means for enabling the participant to input payment information in response to receiving a bid award.	See Claim 11 [h] <i>supra</i> .
50. The system of claim 49 wherein the auction page receiving means comprises a web browser system that accesses a server at the auction processor to receive the page.	See Claim 13 <i>supra</i> .
51. The system of claim 49, wherein the auction participation system receives payment	See Claim 46 <i>supra</i> .

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information with each bid.	
52. The system of claim 51 wherein the auction participation system receives payment information identifying a credit card account and transmits the credit card account information to a verification system before processing the bid.	<i>See Claim 46 supra.</i>
53. The system of claim 52 wherein the auction participation system selects a bid based on one or more predetermined criteria,	<i>See Claim 44 supra.</i>
processes the credit card account for the amount of the bid and	<i>See Claim 15 supra.</i>
transfers legal ownership of the item to the participant that submitted the bid.	<i>See Claim 25 [c] supra.</i>
178. The system of claim 49 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
179. The system of claim 49 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
180. The system of claim 49 wherein the received scheduling input comprises an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
181. The system of claim 49 wherein the received scheduling input consists of an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
182. The system of claim 49 wherein the received scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
183. The system of claim 49 wherein the received scheduling input comprises an indication that the auction is to be initiated at a	<i>See Claim 148 supra.</i>

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future	
54. A system for facilitating commerce at an internet-based auction, the system comprising:	<i>See Claim 11 [a] supra.</i>
auction item receiving means for receiving from one or more auction participants information regarding an item to be posted for an auction,	<i>See Claim 11 [b] supra.</i>
the received information including a designation of a category, selected from a list of categories, under which the item is to be auctioned;	<i>See Claim 11 [c] supra.</i>
auction processor means for processing information received by the auction item receiving means and presenting the processed information in a format to be transmitted to auction participants over a packet-switched network, the format including an indication of the category of the item to be auctioned,	<i>See Claim 11 [e] supra.</i>
the auction processor means including an auction process means for executing an auction process for the item based at least in part on scheduling input received from the seller of the item; and	<i>See Claim 11 [f] supra.</i>
bid receiving means for receiving bids for the item presented to auction participants.	<i>See Claim 11 [g] supra.</i>
184. The system of claim 54 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
185. The system of claim 54 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
186. The system of claim 54 wherein the received scheduling input comprises an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>

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187. The system of claim 54 wherein the received input consists of an indication that the auction process is to be started immediately.	See Claim 150 <i>supra</i> .
188. The system of claim 54 wherein the received scheduling input comprises an indication that the auction process to be invoked by the seller manually.	See Claim 150 <i>supra</i> .
55. [a] A computer-implemented method of facilitating internet auctions, the method comprising:	See Claim 11 [a] <i>supra</i> .
[b] receiving information from a seller including (i) information about an item to be auctioned at a computer system programmed to receive information over a communication network, and	See Claim 11 [b] <i>supra</i> .
[c] (ii) input relating to scheduling an auction for the item,	See Claim 11 [d] <i>supra</i> .
[d] the auction item information including a selection of a predetermined category, the predetermined category selected by the seller from a predetermined list of categories maintained by the computer system;	See Claim 11 [c] <i>supra</i> .
[e] based on at least a portion of the information received from a seller, generating a unique item identifier by a program executing on the computer system;	See Claim 20 [e] <i>supra</i> .
[f] notifying the seller of the unique item identifier generated in response to receiving information about the item to be auctioned;	<p><i>The Compulatelist described generating a tracking identifier or "lot number" for each item offered for auction that is stored in the host computer. See Claim 20[e] supra. The Compulatelist further described including this identifier in an item's listing in an auction catalog distributed to auction participants. The display of a lot number to auction participants notifies an item's seller of the identifier generated for their item. Indeed, as evidenced by rec.collecting.stamps postings, the display of such item identifiers in online auctions was customary practice.</i></p> <p>Compulatelist at 11 (Figure 3):</p>

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	<div>Abbreviations Used</div> <table><tr><td>** Mint Never Hinged</td><td>MB Minimum Bid</td></tr><tr><td>• Mint Hinged</td><td>PC Post Card</td></tr><tr><td>C Cover</td><td>PMK Postmark</td></tr><tr><td>E Estimated Market Value</td><td>PS Postal Stationery</td></tr><tr><td>FDC First Day Cover</td><td>U Used</td></tr><tr><td>M Meter Cancel</td><td>V Vignette</td></tr></table> <p>Unless stated otherwise, all lots are in F-VF condition with covers being unaddressed.</p> <table><tr><td>1</td><td>FDC</td><td>Athletics, Baseball, Japan, #628-29 (28 Oct 56) FDC</td><td>MB</td><td>3.50</td></tr><tr><td>2</td><td>**</td><td>Ballooning, Poland #B31 mint</td><td>MB</td><td>30.00</td></tr><tr><td>3</td><td>PMK</td><td>Baseball, Canada, Camrose, Alberta machine cancel "Ball Tournay, June 12-13" on small postal envelope</td><td>MB</td><td>3.50</td></tr><tr><td>4</td><td>PMK</td><td>Baseball, Canada, Vancouver, BC (1958) "Support Baseball For Our Youth" on small envelope, postally used</td><td>MB</td><td>10.00</td></tr><tr><td>5</td><td>PMK</td><td>Baseball, Japan, (26 Mar 78) red cancel showing runner and catcher on postal card</td><td>MB</td><td>.50</td></tr><tr><td>6</td><td>FDC</td><td>Baseball, Japan, 20y stamp (3) issued 14 Oct 78 on postally used cacheted cover to Great Britain, batter red cancel</td><td>MB</td><td>1.50</td></tr><tr><td>7</td><td>PMK</td><td>Baseball, USA, Anchorage, AK (30 July 92) "Olympic Spirit Night" on postal card</td><td>MB</td><td>1.00</td></tr><tr><td>8</td><td>PMK</td><td>Baseball, USA, Boston, MA (21 Oct 86) "World Series Station" uncacheted</td><td>MB</td><td>2.00</td></tr><tr><td>9</td><td>PMK</td><td>Baseball, USA, Cooperstown, NY (2 Aug 92) "Induction Day Station" on postal card</td><td>MB</td><td>1.00</td></tr><tr><td>10</td><td>PMK</td><td>Baseball, USA, Cooperstown, NY (3 Aug 92) "Game Day Station" on postal card</td><td>MB</td><td>.00</td></tr><tr><td>11</td><td>PMK</td><td>Baseball, USA, Fairbanks, AK (24 July 92) "Olympic Spirit Night" on postal card</td><td>MB</td><td>1.00</td></tr></table> <p>Fig. 3. Example of Auction Page</p> <p>----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p><i>rec.collecting.stamps—Exh. A, No. 24:</i></p> <p>I've decided to get in the act!! This mini auction will have the usual ONCE TWICE SOLD format that everybody seems to use. Normal terms, shipping extra at .75 a book. I reserve the right to yank anything. Don't think that'll be necessary.. Minimum raise .50, please. All books are FIRST PRINTINGS, and are NM/M condition. Please reply to harry.brown@aquatic.shore.net, HARRY BROWN, or here.</p> <table><tr><th>LOT</th><th>DESCRIPTION</th><th>BID & STATUS</th><th>BIDDER</th></tr><tr><td>1</td><td>Lady Death # 1</td><td>27.00</td><td>Brian Depardo PENDING</td></tr><tr><td>2</td><td>Lady Death # 2</td><td>10.00</td><td>Geof R. Mason ONCE</td></tr><tr><td>3</td><td>Lady Death # 3</td><td>6.00</td><td>Mike D'Arezzo *SOLD*</td></tr><tr><td>4</td><td>Lady Death, Swimsuit iss.</td><td>6.00</td><td>Mike D'Arezzo *SOLD*</td></tr><tr><td>5</td><td>Shi # 1</td><td>7.50</td><td>John Lundy *SOLD*</td></tr><tr><td>6</td><td>Shi # 2</td><td>5.50</td><td>John Lundy *SOLD*</td></tr></table>	** Mint Never Hinged	MB Minimum Bid	• Mint Hinged	PC Post Card	C Cover	PMK Postmark	E Estimated Market Value	PS Postal Stationery	FDC First Day Cover	U Used	M Meter Cancel	V Vignette	1	FDC	Athletics, Baseball, Japan, #628-29 (28 Oct 56) FDC	MB	3.50	2	**	Ballooning, Poland #B31 mint	MB	30.00	3	PMK	Baseball, Canada, Camrose, Alberta machine cancel "Ball Tournay, June 12-13" on small postal envelope	MB	3.50	4	PMK	Baseball, Canada, Vancouver, BC (1958) "Support Baseball For Our Youth" on small envelope, postally used	MB	10.00	5	PMK	Baseball, Japan, (26 Mar 78) red cancel showing runner and catcher on postal card	MB	.50	6	FDC	Baseball, Japan, 20y stamp (3) issued 14 Oct 78 on postally used cacheted cover to Great Britain, batter red cancel	MB	1.50	7	PMK	Baseball, USA, Anchorage, AK (30 July 92) "Olympic Spirit Night" on postal card	MB	1.00	8	PMK	Baseball, USA, Boston, MA (21 Oct 86) "World Series Station" uncacheted	MB	2.00	9	PMK	Baseball, USA, Cooperstown, NY (2 Aug 92) "Induction Day Station" on postal card	MB	1.00	10	PMK	Baseball, USA, Cooperstown, NY (3 Aug 92) "Game Day Station" on postal card	MB	.00	11	PMK	Baseball, USA, Fairbanks, AK (24 July 92) "Olympic Spirit Night" on postal card	MB	1.00	LOT	DESCRIPTION	BID & STATUS	BIDDER	1	Lady Death # 1	27.00	Brian Depardo PENDING	2	Lady Death # 2	10.00	Geof R. Mason ONCE	3	Lady Death # 3	6.00	Mike D'Arezzo *SOLD*	4	Lady Death, Swimsuit iss.	6.00	Mike D'Arezzo *SOLD*	5	Shi # 1	7.50	John Lundy *SOLD*	6	Shi # 2	5.50	John Lundy *SOLD*
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[g] based at least in part on the received auction scheduling input, auctioning the item at the computer system with an auction process program,	See Claim 11 [f] <i>supra</i> .																																																																																															
[h] the auction process program indicating the predetermined category selected by the seller and identifying the item to be auctioned;	See Claim 11 [e] <i>supra</i> .																																																																																															
[i] presenting the auction to a plurality of auction participants via a computer network in response to a request to display	<i>The Computatelist described presenting an auction to a plurality of remote auction participants by distributing a hard-copy, auction catalog. As explained above in connection with Claim 11, element [e] it would have been obvious to replace the hard-copy catalog with online communications. In an</i>																																																																																															

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information about the item to be auctioned, the request to display the item's information being processed by a computer program executing on the computer system; and	<i>online auction, a participant must necessarily input some form of request to view that auction that is processed by the auction system's host computer on which the auction information is stored.</i>
[j] receiving at the computer system at least one bid on the item being auctioned,	See Claim 11 [g] <i>supra</i> .
[k] the computer system updating a display of the item's information in response to receipt of the at least one bid.	<p><i>The Computatelist described a computer-implemented method for conducting mail-bid stamp auctions which received bids from remote locations and updated the current high bid for each auction in the host-computer's database. Although the communications in The Computatelist's auctions were conducted by regular mail, it would have been obvious to replace these hard-copy communications with online displays and communications as explained above in connection with Claim 11, element [a]. As demonstrated by a number of rec.collecting.stamps postings, one skilled in the art would have been motivated to provide displays online of the updated current bids stored in the database described in The Computatelist.</i></p> <p><i>The Computatelist at 11:</i> "I can use the original database to keep track of bids and bidders. ... To these fields I add new fields: High Bid, High Bidder and seven other fields for bidders who are not the high bidders (fig. 4)."</p> <p>----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p><i>rec.collecting.stamps—Exh. A, No. 22:</i> "I would like to thank all of you who have stopped by to take a look at the auction pages I put up on the WWW. ... For those of you thinking of bidding (or who have but <u>haven't checked the high bid list lately</u>), just a reminder that the Auction closes at midnight on April 8."</p> <p><i>rec.collecting.stamps—Exh. A, No. 21:</i> "Auctions can be more interactive than stamp bid boards. Seller describes lot, specifies minimum bit. Bidders email bids. <u>Seller posts follow up next day with name of highest bidder and what they bid.. Any day when there is no new bids, seller marks lot as 'going once', when there are two consecutive days with out any action on a lot, seller posts 'going twice'. If no bids follow after than mark lot sold.</u>"</p> <p><i>rec.collecting.stamps—Exh. A, No. 24:</i></p>

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	<p>I've decided to get in the act!! This mini auction will have the usual ONCE TWICE SOLD format that everybody seems to use. Normal terms, shipping extra at .75 a book. I reserve the right to yank anything. Don't think that'll be necessary.. Minimum raise .50, please. All books are FIRST PRINTINGS, and are NM/M condition. Please reply to harry.brown@aquatic.shore.net, HARRY BROWN, or here.</p> <table><tr><th>LOT</th><th>DESCRIPTION</th><th>BID & STATUS</th><th>BIDDER</th></tr><tr><td>1</td><td>Lady Death # 1</td><td>27.00</td><td>Brian Depardo PENDING</td></tr><tr><td>2</td><td>Lady Death # 2</td><td>10.00</td><td>Geof R. Mason ONCE</td></tr><tr><td>3</td><td>Lady Death # 3</td><td>6.00</td><td>Mike D'Arezzo *SOLD*</td></tr><tr><td>4</td><td>Lady Death, Swimsuit iss.</td><td>6.00</td><td>Mike D'Arezzo *SOLD*</td></tr><tr><td>5</td><td>Shi # 1</td><td>7.50</td><td>John Lundy *SOLD*</td></tr><tr><td>6</td><td>Shi # 2</td><td>5.50</td><td>John Lundy *SOLD*</td></tr></table>	LOT	DESCRIPTION	BID & STATUS	BIDDER	1	Lady Death # 1	27.00	Brian Depardo PENDING	2	Lady Death # 2	10.00	Geof R. Mason ONCE	3	Lady Death # 3	6.00	Mike D'Arezzo *SOLD*	4	Lady Death, Swimsuit iss.	6.00	Mike D'Arezzo *SOLD*	5	Shi # 1	7.50	John Lundy *SOLD*	6	Shi # 2	5.50	John Lundy *SOLD*
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64. The method of claim 55 wherein the information received from a seller further comprises an item subcategory, selected by the seller from a list of item subcategories, under which the item is to be offered for auction.	See Claim 11 [c] <i>supra</i> .																												
65. The method of claim 55 wherein the information received from a seller comprises a verbal description of the item or a graphical depiction of the item or both.	<p><i>The Compulatelists described receiving information from sellers corresponding to items they were consigning for auction which the auctioneer entered into a database on the auction's host computer. Although the seller provided such information by regular mail, as explained above in connection with claim 11, element [d] it would have been obvious to one skilled in the art to replace regular mail with Internet communications.</i></p> <p><i>One skilled in the art would have been motivated to receive the item information from sellers electronically at a "communication handler program" on the host computer to reduce the inefficiency of the auction operator having to enter the information into a database manually. See, e.g., The Compulatelists at 10 ("In the past 5 years, the auction has climbed from about 75-100 lots every two months to around 350-400 lots. As you can imagine this has greatly taxed my spare time."). Indeed, postings by collectors on rec.collecting.stamps confirm those in the art were so motivated: "What would be really nice would be a "bid-broker" software ... [where] A seller sends his description, reserve price, cut-off-date, etc to the BidBroker." Exh. A, No. 11.</i></p> <p><i>Moreover, rec.collecting.stamps was replete with online auctions where sellers conducted auctions of their own items. The online display of item information in these auctions necessarily required that the information be received from the seller at the host computer through some form of "communication handler program."</i></p> <p><i>Finally, although many of the rec.collecting.stamps postings describe text based systems, one of the obvious benefits of Worldwide Web based auctions is the ability to provide graphical descriptions of an item. Skilled artisans would have been particularly motivated to utilize such images for used and collectable goods, the value of which requires some assessment of their</i></p>																												

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	<p><i>condition.</i></p> <p style="text-align: center;">INFORMATION FROM PARTICIPANT-SELLERS</p> <p><i>The Computatelist at 10:</i> "When consignors begin to send material to me for Auction number xx, I create a database named 'Auction xx' in which I have the following fields ... The Abb field contains either MB (minimum bid) or EST (estimate) as the consignor desires."</p> <p>----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p><i>rec.collecting.stamps—Exh. A, No. 21:</i> "What would be really nice would be a "bid-broker" software. It might work something like this: ... 2. <u>A seller sends his description, reserve price, cut-off-date, etc to the BidBroker.</u>"</p> <p style="text-align: center;">INFORMATION FROM AUCTION-OPERATOR SELLING HIS OWN GOOD</p> <p><i>rec.collecting.stamps—Exh. A, No. 21:</i> "Other Auction rule suggestions. ... Seller describes lot, specifies minimum bid. Bidders email bids. Seller posts follow up next day with name of highest bidder and what they bid. ..."</p> <p><i>rec.collecting.stamps—Exh. A, No. 21:</i> "I guess I'll try this too. I had posted this item for sale, but got no responses, perhaps because I never gave an idea of what I wanted for it: LOT #2: France. Scott #37. F-VF Used. Scott Catalog Value is \$600. Minimum bid is 10% of Scott, or \$60. Will also sell to highest bidder by July 1."</p> <p><i>rec.collecting.stamps—Exh. A, No. 22:</i> "I would like to thank all of you who have stopped by to take a look at the auction pages I put up on the WWW. ... I have <u>updated/upgraded a number of the images to go with the lots.</u>"</p> <p><i>rec.collecting.stamps—Exh. A, No. 25:</i> "This seems one of the simpler problems. You post a date by which items for sale must be "submitted". <u>This means a complete description and perhaps a scan if possible.</u> Once the date is past, an on-line auction description is posted with an invitation for bids and a published closing date."</p>
<p>66. The method of claim 55 wherein the information received from a seller comprises a verbal description of the item, the verbal description including subjective information supplied by the seller.</p>	<p style="text-align: center;"><i>See Claim 65 supra.</i></p>
<p>67. The method of claim 66 wherein the subjective information includes one or more of following: condition of the item being offered for auction, authenticity of the item being offered for auction or special features of the item being offered for auction.</p>	<p style="text-align: center;"><i>See Claim 65 supra.</i></p>
<p>68. The method of claim 55 wherein, prior to supplying information, the seller registers to</p>	<p><i>The Computatelist describes registering accounts for auction participants based on received identity and financial information to keep accounting of auctions and track customer payment history and credit. Moreover, as</i></p>

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sell items for auction.	<p><i>confirmed by rec.collecting.stamps postings, it was well known in the art to require auction participants to register for an online auction.</i></p> <p><i>The Computelist at 5:</i> "The program will ... generate invoices and will <u>track customer payment history, credit, etc.</u> All the features you would expect to find in any program which <u>maintains a database of customers and accounts</u> are present."</p> <p><i>The Computelist at 11:</i> "All this information is set up in such a way that I can always have a current accounting of the auction. ... another listing [is] generated from the original database sorted only by consignor's name with prices realized. ..."</p> <p>----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p><i>rec.collecting.stamps—Exh. A, No. 21:</i> "What would be really nice would be a "bid-broker" software. It might work something like this: 1. Interested bidders <u>register</u> their email address with the BidBroker.... 3. The BidBroker assigns a lot number to the description, and forwards it to the list of <u>registered</u> bidders."</p>
69. The method of claim 68 wherein registering the seller comprises receiving identity information from the seller.	See Claim 68 <i>supra</i> .
70. The method of claim 68 wherein registering the seller comprises receiving financial information from the seller.	See Claim 68 <i>supra</i> .
71. The method of claim 68 wherein registering the seller comprises opening a debit / credit account for the seller.	<p><i>The Computelist describes maintaining customer accounts in which customer payment history and credit are tracked. Given The Computelist's express disclosure of "[a]ll the features you find in any program which maintains a database of customers and accounts," one skilled in the art would understand these accounts could include debit / credit accounts for participants including sellers.</i></p> <p><i>The Computelist at 5:</i> "The program will ... generate invoices and will <u>track customer payment history, credit, etc.</u> All the features you would expect to find in any program which <u>maintains a database of customers and accounts</u> are present."</p> <p><i>The Computelist at 11:</i> "As payment for auction lots begins to come in, I enter the winning bidders and <u>amount owed into a spreadsheet titled Auction xx \$\$ along with information on consignors, etc. Some are charged 10 percent commission while others (non-SPI members) are charged 15 percent commission.</u> All of this information is set up in such a way that I can always have <u>a current accounting of the auction.</u>"</p>
72. The method of claim 71 further comprising debiting the seller's account by an amount corresponding to a seller's fee.	See Claim 71 <i>supra</i> .

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73. The method of claim 71 further comprising crediting the seller's account by an amount corresponding to the purchase price of an item sold at auction.	See Claim 71 <i>supra</i> .
74. The method of claim 55 wherein the seller logs into the auction computer system from a computing platform in order to provide information about an item to be auctioned.	See Claim 11 [b] <i>supra</i> .
75. The method of claim 74 wherein the seller's computing platform comprises a personal computer, a workstation, a cable set-top device, a video game system or a portable computing device.	See Claim 74 <i>supra</i> .
76. The method of claim 55 wherein an auction participant logs into the auction computer system from a computing platform in order to browse or bid on items offered for auction.	See Claim 74 <i>supra</i> .
77. The method of claim 76 wherein the auction participant's computing platform comprises a personal computer, a workstation, a cable set-top device, a video game system or a portable computing device.	See Claim 74 <i>supra</i> .
78. The method of claim 55 wherein the seller-provided information includes a reserve price for the item to be auctioned.	See Claim 18 <i>supra</i> .
79. The method of claim 78 wherein the seller's reserve price is not revealed to auction participants.	<p><i>As explained above in connection with Claim 18, the Compulatelists describes a receiving a "minimum bid" or reserve price from sellers. Although it appears The Compulatelists contemplates posting this price as a starting bid for the auction of an item, one of ordinary skill in the art in 1995 would have been motivated to not reveal the minimum acceptable bid or reserve price, as it was well-known in the art that the use of a confidential reserve price protected a seller's interests.</i></p> <p>---- SECONDARY REFERENCES / KNOWLEDGE IN THE ART ----</p> <p><i>See, e.g., Exh. A, No. 18 at 97-98 ("The live-auction process works well when combined with the use of a reserve price establishing the minimum amount</i></p>

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	<p>acceptable to the seller. This device protects the seller from having to 'give away' assets at unrealistically low bids, increasing the average selling price to all sellers over time.").</p> <p><i>See, e.g., http://www.auctioneerscanada.com/auctglos.html ("Auction with Reserve: An auction in which the seller reserves the right to accept or decline any and all bids. A minimum acceptable price may or may not be disclosed.")</i></p>
<p>80. The method of claim 55 wherein prior to bidding on an item an auction participant browses the predetermined list of categories to search for desired items on which to place bids.</p>	<p><i>The Computatelist describes presenting item information to auction participants that is organized and indexed by browseable categories of particular collecting interests or speciality.</i></p> <p>Computatelist at 10: "This allows me later to alphabetize the Des A category so that all the Archery material is numbered consecutively, etc. <u>Because our SPI members often have very specialized interests this makes it easier for them to find material they might find useful to add to their collection.</u>"</p> <p>Computatelist at 5: "When lot information is entered you can also provide keywords. This enables the program to create an index in the auction catalog which lists lots by collecting interest or specialty."</p>
<p>81. The method of claim 55 wherein the seller ships an item purchased at auction to a destination specified by the purchasing auction participant.</p>	<p><i>The Computatelist describes computer-implemented mail bid auctions in which sellers consign their goods to the auction operator who then ships them to a destination specified by winning bidders. Although the seller in The Computatelist's auctions does not directly ship an item to the winning bidder, rec.collecting.stamps is replete with electronic auctions in which—like the '014 application—a seller auctions his or her own items and ships them to buyer designated locations.</i></p> <p><i>Moreover, it would have been obvious to one skilled in the art that a benefit of implementing a mail bid auction online would be that the auctioneer need not take possession of all items, as sellers could provide the descriptions of items online. One skilled in the art would have been motivated to adopt such an approach by The Computatelist's express description of the inefficiency of the auctioneer taking possession of and shipping all items. Indeed, one rec.collecting.stamps posting expressly identified the desirability of having sellers and buyers complete transactions themselves.</i></p> <p>The Computatelist at 11: "One thing my computer can't do is actually sort the auction lots. It usually takes me about two weeks to completely package and send out the auction lots."</p> <p>----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p>rec.collecting.stamps—Exh. A, No. 21: "What would be really nice would be a "bid-broker" software. It might work something like this: ... 2. A seller sends his description, reserve price, cut-off-date, etc to the BidBroker. ... <u>The seller and winning bidder communicate directly to complete the transaction.</u>"</p> <p>rec.collecting.stamps—Exh. A, No. 24: "I've decided to get in the act!! This mini auction will have the usual ONCE TWICE SOLD format that everybody seems to use. Normal terms, <u>shipping extra at .75 a book.</u>"</p>

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<p>82. The method of claim 55 wherein the seller-provided information includes an indication from the seller whether the item offered for auction is to be advertised to potential bidders.</p>	<p><i>Although The Computatelist does not expressly describe the use of advertisements in its mail bid auctions, the benefits of advertising on the Internet and Worldwide Web were well known prior to April 1995. Indeed, advertising was one of the earliest recognized sources of revenue on the Internet and it was known in the art that the advertising industry was "investing heavily" in online transactional and auction systems. Moreover, advertising "featured" items within an online auction was well known in the art as discussed in Appendix I to this Protest.</i></p> <p>----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p><i>Save the Earth at 1—Exh. A, No. 5:</i> "The telecommunications, retail, advertising and other industries are presently investing heavily in online tests and trial services aimed at tapping into what many believe will be a major marketing and sales channel in the near future."; (p. 2): "The online communications and World Wide Web access services ... are being contributed by ... Global Commerce Link."; "GCL products and services support interactive sales transaction, marketing, advertising, and customer service applications on the Internet..."</p>
<p>83. The method of claim 82 wherein the advertisement appears on a main web page maintained by the auction computer system.</p>	<p><i>See Claim 82 supra.</i></p>
<p>84. The method of claim 83 wherein the main web page comprises a welcome page.</p>	<p><i>See Claim 82 supra.</i></p>
<p>85. The method of claim 55 further comprising notifying an auction participant that a bid by that participant has been accepted.</p>	<p><i>The Computatelist described tracking the current high bid and next seven bids accepted for an item in the host-computer's database. As described above in connection with Claim 55, element [k], it would have been obvious to provide an online display of current high bids and bidders. The display of such bids to auction participants inherently notifies auction participants if their bids were accepted (i.e., were listed as the high bid).</i></p> <p>----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p><i>rec.collecting.stamps—Exh. A, No. 21:</i> "Auctions can be more interactive than stamp bid boards. Seller describes lot, specifies minimum bit. Bidders email bids. <u>Seller posts follow up next day with name of highest bidder and what they bid....</u>"</p> <p><i>rec.collecting.stamps—Exh. A, No. 24:</i></p>

APPENDIX II

'014 APP. CLAIMS	PRIOR ART																												
	<p>I've decided to get in the act!! This mini auction will have the usual ONCE TWICE SOLD format that everybody seems to use. Normal terms, shipping extra at .75 a book. I reserve the right to yank anything. Don't think that'll be necessary.. Minimum raise .50, please. All books are FIRST PRINTINGS, and are NM/M condition. Please reply to harry.brown@aquatic.shore.net, HARRY BROWN, or here.</p> <table><tr><th>LOT</th><th>DESCRIPTION</th><th>BID & STATUS</th><th>BIDDER</th></tr><tr><td>1</td><td>Lady Death # 1</td><td>27.00</td><td>Brian Depardo PENDING</td></tr><tr><td>2</td><td>Lady Death # 2</td><td>10.00</td><td>Geof R. Mason ONCE</td></tr><tr><td>3</td><td>Lady Death # 3</td><td>6.00</td><td>Mike D'Arezzo *SOLD*</td></tr><tr><td>4</td><td>Lady Death, Swimsuit iss.</td><td>6.00</td><td>Mike D'Arezzo *SOLD*</td></tr><tr><td>5</td><td>Shi # 1</td><td>7.50</td><td>John Lundy *SOLD*</td></tr><tr><td>6</td><td>Shi # 2</td><td>5.50</td><td>John Lundy *SOLD*</td></tr></table>	LOT	DESCRIPTION	BID & STATUS	BIDDER	1	Lady Death # 1	27.00	Brian Depardo PENDING	2	Lady Death # 2	10.00	Geof R. Mason ONCE	3	Lady Death # 3	6.00	Mike D'Arezzo *SOLD*	4	Lady Death, Swimsuit iss.	6.00	Mike D'Arezzo *SOLD*	5	Shi # 1	7.50	John Lundy *SOLD*	6	Shi # 2	5.50	John Lundy *SOLD*
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86. The method of claim 55 wherein an auction participant makes electronic payment for an item purchased at auction.	<i>The Computelist describes clearing payment for items and commissions in the form of checks delivered by regular mail. As explained in section II. F. of this Protest, the inherent inefficiencies associated with such an approach would have motivated one skilled in the art to utilize any one of a number of forms of electronic payment (e.g., credit card processing, funds transfer, credit/debit accounts, clearinghouses, e-money) in an electronic auction. As the '014 application correctly concedes, each of these techniques was "well known" by skilled artisans who "understood" how to incorporate any of them in an electronic auction.</i>																												
87. The method of claim 86 wherein an auction participant makes electronic payment by providing credit card or debit card information.	<i>See Claim 86 supra.</i>																												
88. The method of claim 86 wherein an auction participant makes electronic payment by providing electronic funds transfer information	<i>See Claim 86 supra.</i>																												
89. The method of claim 86 wherein an auction participant makes electronic payment using e-money.	<i>The Computelist describes clearing payment for items and commissions in the form of checks delivered by regular mail. As explained in section II. F. of this Protest, the inherent inefficiencies associated with such an approach would have motivated one skilled in the art to utilize any one of a number of forms of electronic payment (e.g., credit card processing, funds transfer, credit/debit accounts, clearinghouses, e-money) in an electronic auction. As the '014 application correctly concedes, each of these techniques was "well known" by skilled artisans who "understood" how to incorporate any of them in an electronic auction.</i>																												
90. The method of claim 55 wherein the seller-provided information includes a specified time period for the auction.	<i>See Claim 148 supra.</i>																												

APPENDIX II

'014 APP. CLAIMS	PRIOR ART																																																																															
91. The method of claim 55 wherein the auction process program indicates an opening bid for an item offered for auction.	See Claim 18 <i>supra</i> .																																																																															
92. The method of claim 55 wherein the auction process program indicates a current bid for an item offered for auction.	See Claim 55 [k] <i>supra</i> .																																																																															
93. The method of claim 55 wherein presenting the auction to the plurality of auction participants comprises displaying one or more of the following: a verbal description of the item offered for auction, a graphical depiction of the item offered for auction, or bid information relating to the item offered for auction.	<p><i>The Computelists describes presenting auctions to participants by distributing a hard-copy auction catalog that included a display of verbal descriptions of the items as well as a display of the items' condition. Moreover, as any commercial transaction involves providing a buyer with information about an item to be purchased, it is not surprising that a number of rec.collecting.stamps postings illustrate that the provision of verbal and graphical descriptions was established practice in electronic auctions.</i></p> <p>The Computelists at 11 (Figure 3):</p> <div><p style="text-align: center;">Abbreviations Used</p><table><tbody><tr><td>**</td><td>Mint Never Hinged</td><td>MB</td><td>Minimum Bid</td></tr><tr><td>*</td><td>Mint Hinged</td><td>PC</td><td>Post Card</td></tr><tr><td>C</td><td>Cover</td><td>PMK</td><td>Postmark</td></tr><tr><td>E</td><td>Estimated Market Value</td><td>PS</td><td>Postal Stationery</td></tr><tr><td>FDC</td><td>First Day Cover</td><td>U</td><td>Used</td></tr><tr><td>M</td><td>Meter Cancel</td><td>V</td><td>Vignette</td></tr></tbody></table><p>Unless stated otherwise, all lots are in F-VF condition with covers being unaddressed.</p><table><tbody><tr><td>1</td><td>FDC</td><td>Athletics, Baseball, Japan, #628-29 (28 Oct 56) FDC</td><td>MB</td><td>3.50</td></tr><tr><td>2</td><td>**</td><td>Ballooning, Poland #B31 mint</td><td>MB</td><td>30.00</td></tr><tr><td>3</td><td>PMK</td><td>Baseball, Canada, Camrose, Alberta machine cancel "Ball Tourney, June 12-13" on small postal envelope</td><td>MB</td><td>3.50</td></tr><tr><td>4</td><td>PMK</td><td>Baseball, Canada, Vancouver, BC (1958) "Support Baseball For Our Youth" on small envelope, postally used</td><td>MB</td><td>10.00</td></tr><tr><td>5</td><td>PMK</td><td>Baseball, Japan, (26 Mar 78) red cancel showing runner and catcher on postal card</td><td>MB</td><td>.50</td></tr><tr><td>6</td><td>FDC</td><td>Baseball, Japan, 20y stamp (3) issued 14 Oct 78 on postally used cacheted cover to Great Britain, batter red cancel</td><td>MB</td><td>1.50</td></tr><tr><td>7</td><td>PMK</td><td>Baseball, USA, Anchorage, AK (30 July 92) "Olympic Spirit Night" on postal card</td><td>MB</td><td>1.00</td></tr><tr><td>8</td><td>PMK</td><td>Baseball, USA, Boston, MA (21 Oct 86) "World Series Station" uncacheted</td><td>MB</td><td>2.00</td></tr><tr><td>9</td><td>PMK</td><td>Baseball, USA, Cooperstown, NY (2 Aug 92) "Induction Day Station" on postal card</td><td>MB</td><td>1.00</td></tr><tr><td>10</td><td>PMK</td><td>Baseball, USA, Cooperstown, NY (3 Aug 92) "Game Day Station" on postal card</td><td>MB</td><td>.00</td></tr><tr><td>11</td><td>PMK</td><td>Baseball, USA, Fairbanks, AK (24 July 92) "Olympic Spirit Night" on postal card</td><td>MB</td><td>1.00</td></tr></tbody></table></div> <p style="text-align: center;">Fig. 3. Example of Auction Page</p>	**	Mint Never Hinged	MB	Minimum Bid	*	Mint Hinged	PC	Post Card	C	Cover	PMK	Postmark	E	Estimated Market Value	PS	Postal Stationery	FDC	First Day Cover	U	Used	M	Meter Cancel	V	Vignette	1	FDC	Athletics, Baseball, Japan, #628-29 (28 Oct 56) FDC	MB	3.50	2	**	Ballooning, Poland #B31 mint	MB	30.00	3	PMK	Baseball, Canada, Camrose, Alberta machine cancel "Ball Tourney, June 12-13" on small postal envelope	MB	3.50	4	PMK	Baseball, Canada, Vancouver, BC (1958) "Support Baseball For Our Youth" on small envelope, postally used	MB	10.00	5	PMK	Baseball, Japan, (26 Mar 78) red cancel showing runner and catcher on postal card	MB	.50	6	FDC	Baseball, Japan, 20y stamp (3) issued 14 Oct 78 on postally used cacheted cover to Great Britain, batter red cancel	MB	1.50	7	PMK	Baseball, USA, Anchorage, AK (30 July 92) "Olympic Spirit Night" on postal card	MB	1.00	8	PMK	Baseball, USA, Boston, MA (21 Oct 86) "World Series Station" uncacheted	MB	2.00	9	PMK	Baseball, USA, Cooperstown, NY (2 Aug 92) "Induction Day Station" on postal card	MB	1.00	10	PMK	Baseball, USA, Cooperstown, NY (3 Aug 92) "Game Day Station" on postal card	MB	.00	11	PMK	Baseball, USA, Fairbanks, AK (24 July 92) "Olympic Spirit Night" on postal card	MB	1.00
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----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----

rec.collecting.stamps—Exh. A, No. 25: "This means a complete description and perhaps a scan if possible. Once the date is past, an on-line auction description is posted with an invitation for bids and a published closing date."

rec.collecting.stamps—Exh. A, No. 11: "What would be really nice would be a "bid-broker" software. It might work something like this: ... 3. The BidBroker assigns a lot number to the description, and forwards it to the list of registered bidders.

rec.collecting.stamps—Exh. A, No. 21: "I'll try one right here - LOT #1 Scott #477 Italy 100 Lire - VF NH Condition Scott Catalog Value for NH is \$400. Will sell to highest bidder by July 1, 1994. Just place your bids right here (I hope this works) this is a really nice stamp."

APPENDIX II

'014 APP. CLAIMS	PRIOR ART
94. The method of claim 55 wherein presenting the auction to the plurality of auction participants further comprises displaying advertisements to the plurality of users.	See Claim 82 <i>supra</i> .
95. The method of claim 94 wherein the displayed advertisements relate to items offered for auction.	See Claim 82 <i>supra</i> .
96. The method of claim 94 wherein the displayed advertisements relate to goods / services offered by a third party.	See Claim 82 <i>supra</i> .
97. The method of claim 55 wherein the computer system updates the display of the item's information each time a bid higher than the current bid is received.	See Claim 55 [k] <i>supra</i> .
98. The method of claim 55 further comprising obtaining an auction participant's assent to terms of sale before accepting bids from that auction participant.	<p><i>The Computelists describes the display of an auction's rules or terms that bidders must assent to by placing a bid. Indeed, as evidenced by a rec.collecting.stamps posting, a bidder must be informed of the terms and rules governing an auction that he or she must assent to before bidding. In any other scenario, the bidder would have no way to know how or what to bid if they wished to purchase a particular item.</i></p> <p><i>The Computelists at 10:</i> "At this time, I copy an auction template to the beginning of the listing. This template lists the auction rules..."</p> <p>----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p><i>rec.collecting.stamps—Exh. A, No. 21:</i> "I'd love to bid but I don't collect Italy, perhaps next time. <u>But you need to explain your rules here.</u> What price would the winning bidder pay? Normally in a mail ('non-floor') auction, the highest bidder only pay one-step above the 2nd highest bidder's bid, as opposed to paying what he actually bids."</p>
99. The method of claim 98 wherein the auction participant's assent is supplied via the Internet.	See Claim 98 <i>supra</i> .
190. The method of claim 55 wherein the received auction scheduling input relates to an auction duration.	See Claim 148 <i>supra</i> .
191. The method of claim 55 wherein the received auction scheduling input relates to one or	See Claim 148 <i>supra</i> .

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‘014 APP. CLAIMS	PRIOR ART
both of an auction starting time and an auction ending time.	
192. The method of claim 55 wherein the received auction input comprises an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
193. The method of claim 55 wherein the received auction input consists of an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
194. The method of claim 55 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
195. The method of claim 55 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	<i>See Claim 148 supra.</i>
133. [a] A computer-implemented method of facilitating Internet-based electronic auctions, the method comprising:	<i>See Claim 11 [a] supra.</i>
[b] receiving information from a seller of an item to be auctioned, the information including	<i>See Claim 11 [b] supra.</i>
[c] (i) information identifying the item to be auctioned and designating an item category selected by the seller from a list of item categories, and	<i>See Claim 11 [c] supra.</i>
[d] (ii) input relating to scheduling an auction for the item;	<i>See Claim 11 [d] supra.</i>
[e] storing at least a portion of the received information in a database of information relating to items to be auctioned;	<i>See Claim 43 [b] supra.</i>
[f] mapping at least a portion of the received information stored in the database into a presentation format that includes the identifying information and the item	<i>See Claim 11 [e] supra.</i>

APPENDIX II

2014 APP. CLAIMS	PRIOR ART
category provided by the seller; displaying the presentation format to a plurality of buyers;	
[g] based at least in part on the received auction scheduling input, conducting an online auction for the item including receiving bids on the item from one or more of the plurality of buyers; and	<i>See Claim 11 [f] supra.</i>
[h] terminating the online auction of the item based on a predetermined condition.	<i>See Claim 44 supra.</i>
134. The method of claim 133 further comprising notifying a winning buyer that a bid submitted by the winning buyer was a winning bid.	<i>See Claim 49 [f] supra.</i>
135. The method of claim 133 wherein the information received from the seller identifying the item to be auctioned includes at least one of an item title and an item description.	<i>See Claim 65 supra.</i>
136. The method of claim 135 wherein the item description includes an electronic image of the item.	<i>See Claim 65 supra.</i>
137. The method of claim 133 wherein receiving information from a seller further comprises receiving information designating an item subcategory selected by the seller from among a list of item subcategories.	<i>See Claim 11 [c] supra.</i>
138. The method of claim 133 wherein the predetermined condition based on which the online auction is terminated comprises an occurrence of an auction termination time.	<i>See Claim 44 supra.</i>
139. The method of claim 133 wherein receiving information from a seller further comprises receiving a reserve price for the item to be auctioned.	<i>See Claim 18 supra.</i>
140. The method of claim 139	<i>See Claim 18 supra.</i>

APPENDIX II

014 APP. CLAIMS	PRIOR ART
wherein the predetermined condition based on which the online auction is terminated comprises an occurrence of the reserve price being met.	
141. The method of claim 134 wherein notifying the winning buyer comprises sending the winning buyer an e-mail message.	See Claim 134 <i>supra</i> .
142. The method of claim 133 further comprising notifying the seller of an outcome of the online auction.	See Claim 134 <i>supra</i> .
143. The method of claim 142 wherein notifying the seller comprises sending the seller an e-mail message.	See Claim 134 <i>supra</i> .
144. The method of claim 143 wherein the seller is notified of the winning buyer's identity.	<p><i>The Computelist describes maintaining a spreadsheet of items sold in an auction, including an identification of the winning bidder and the price realized and providing sellers a listing of just the items they sold in a particular auction. Although the Computelist is vague as to whether winning bidders are identified in the listings provided to sellers, in any system where the seller—either a participant seller or a seller conducting his or her own auction—ships an item to a buyer, like many described on rec.collecting.stamps, the seller must inherently be notified of the winning buyer's identity to know to whom the item should be shipped.</i></p> <p><i>The Computelist at 11: "As payment for auction lots begins to come in, I enter the winning bidders and amount owed into a spreadsheet Finally, when all lots have been paid for, checks are issued to the consignor along with another listing generated from the original database sorted only by consignor's name...."</i></p> <p>----- SECONDARY REFERENCES / KNOWLEDGE OF THOSE IN THE ART -----</p> <p><i>rec.collecting.stamps—Exh. A, No. 11: "The seller and winning bidder communicate directly to complete the transaction."</i></p> <p><i>rec.collecting.stamps—Exh. A, No. 24: "I've decided to get in the act!! This mini auction will have the usual ONCE TWICE SOLD format that everybody seems to use. Normal terms, shipping extra at .75 a book."</i></p>
145. The method of claim 133 wherein receiving information from the seller of the item to be auctioned further comprises receiving input relating to an advertisement for the item.	See Claim 82 <i>supra</i> .
196. The method of claim 133 wherein the received auction	See Claim 148 <i>supra</i> .

APPENDIX II

09/253,014 APP. CLAIMS	PRIOR ART
scheduling input relates to an auction duration.	
197. The method of claim 133 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
198. The method of claim 133 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
199. The method of claim 133 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
200. The method of claim 133 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
201. The method of claim 133 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	<i>See Claim 148 supra.</i>
210. The method of claim 133 wherein the predetermined condition is defined at least in part by the received auction scheduling input.	<i>See Claim 44 supra.</i>
146. A computer-implemented method of facilitating Internet-based electronic auctions, the method comprising:	<i>See Claim 11 [a] supra.</i>
receiving information via the Internet from sellers of items to be auctioned, each seller providing	<i>See Claim 11 [b] supra.</i>
(i) information describing an item to be auctioned and designating an item category and an item subcategory selected by the seller from a list of item categories and	<i>See Claim 11 [c] supra.</i>

APPENDIX II

‘014 APP. CLAIMS	PRIOR ART
subcategories, and	
(ii) input relating to scheduling an auction for the item;	<i>See Claim 11 [d] supra.</i>
storing at least a portion of the received information in a database of information relating to items to be auctioned;	<i>See Claim 43 [b] supra.</i>
displaying the list of item categories and subcategories via the Internet to a plurality of potential buyers,	<i>See Claim 11 [e] supra.</i>
each potential buyer being able to browse the item categories and subcategories selectively to search for a desired item offered for auction; and	<i>See Claim 80 supra.</i>
for each item to be auctioned: (i) mapping the received information stored in the database corresponding to the item into a presentation format that includes the identifying information and the item category provided by the item's seller; (ii) displaying the presentation format to a plurality of buyers;	<i>See Claim 11 [e] supra.</i>
(iii) based at least in part of the received auction scheduling input, conducting an online auction for the item	<i>See Claim 11 [f] supra.</i>
including receiving bids on the item from one or more of the plurality of buyers; and	<i>See Claim 11 [g] supra.</i>
(iv) terminating the online auction of the item based on a predetermined condition.	<i>See Claim 21 [b] supra.</i>
202. The method of claim 146 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
203. The method of claim 146 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
204. The method of claim 146 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>

APPENDIX II

‘014 APP. CLAIMS	PRIOR ART
205. The method of claim 146 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
206. The method of claim 146 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
207. The method of claim 146 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	<i>See Claim 148 supra.</i>
211. The method of claim 146 wherein the predetermined condition is defined at least in part by the received auction scheduling input.	<i>See Claim 44 supra.</i>
212. A computer-implemented method of facilitating Internet-based auctions, the method comprising:	<i>See Claim 11 [a] supra.</i>
receiving input from a seller of an item to be auctioned, the received input including an identification of the item to be auctioned and	<i>See Claim 11 [b] supra.</i>
input relating to scheduling an auction for the item; and	<i>See Claim 11 [d] supra.</i>
initiating an online auction for the item based at least in part on the auction scheduling input received from the seller.	<i>See Claim 11 [f] supra.</i>
213. The method of claim 212 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
214. The method of claim 212 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
215. The method of claim 212	<i>See Claim 150 supra.</i>

APPENDIX II

'014 APP. CLAIMS	PRIOR ART
wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.	
216. The method of claim 212 wherein the received auction scheduling input consists of an indication to be started immediately.	<i>See Claim 150 supra.</i>
217. The method of claim 212 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
218. The method of claim 212 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	<i>See Claim 148 supra.</i>

Appendix III

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014

APPENDIX III

'014 APP. CLAIMS	PRIOR ART
<p>11. [a] A computer-implemented method for conducting auctions on the internet, the method comprising:</p>	<p><i>Nahan describes a computer-implemented method and system in which member dealers and buyers communicate via a wide-area, high-speed communications network to electronically initiate, conduct, and consummate transactions for artwork and other unique collectable goods. Although Nahan describes selling items at a seller-specified price rather than in an auction on the internet, as the examiner in MercExchange's co-pending '021 and '779 applications correctly recognized, it would have been obvious to one of skill in the art to implement Nahan in the Internet auction format described in Computer Museum and Save the Earth. See Exhs. P, T.</i></p> <p><i>As an initial matter, modifying the Nahan patent to operate in an auction format would require, at most, superficial changes to the system. The Nahan patent describes a procedure whereby an item may be "reserved" by a potential buyer until a predetermined condition—the passage of time—is met, which includes all the functionality necessary to operate in an auction/bidding format. Nahan at 11:47-54. The reservations, which expire and are updated after a fixed period of time, could readily be modified to: (1) expire based on the receipt of a higher offer price (i.e., a higher bid) instead of the passage of time; and (2) close the auction after the fixed period of time if no higher bids are received.</i></p> <p><i>One of ordinary skill in the art would have been motivated to make these superficial modifications to implement Nahan in an Internet-auction format to take advantage of the "tremendous potential" of the Internet-auction format. See Computer Museum ("I think the potential is tremendous for auctions on the Internet. It's a tremendously interesting business model."). Indeed, those involved in electronic stamp collecting—which Nahan expressly identifies as a field in which its disclosure could be used—had identified Worldwide Web auctions as an "ideal venue" and "excellent format" for trading and collecting stamps. Exh. A, No. 20.</i></p> <p><i>Moreover, it was known in the art that the electronic auction format generally yielded higher sales prices and consequently greater profits for sellers and system-operators collecting commissions: "Academic research has concluded that interactive competitive bidding process (the English auction format) allows sellers to realize a higher bid price than any other sales computerized bidding mechanism." Exh. A, No. 18 at 95 (Dec. 1994).</i></p> <p><i>Indeed, anyone familiar with collecting would naturally have been motivated to implement Nahan in an auction format, as auctions were the standard—and often only—means through which collectors acquired new items. See, e.g., Exh. A, No. 23 at 4 ("For many of us with specialized collecting interests auctions often provide the only source of new acquisitions.").</i></p>

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	<p>Nahan¹ 2:38-45: "a computerized system incorporating high resolution imaging, printing and database management, in a multimedia environment, for the marketing, selection, purchase, and sale of unique, high monetary value characteristic products, including the processing of all documents to effect and settle the resulting transaction, over a high speed communications network on a dynamic, real time basis."</p> <p>---- SECONDARY REFERENCES / KNOWLEDGE IN THE ART ----</p> <p>Save the Earth at 2—Exh. A, No. 5: "All items are autographed and will be auctioned on the Internet ... at http://www.commerce.com/save_earth."</p> <p>rec.collecting.stamps—Exh. A, No. 20: "I would like to suggest that a WWW page would be the <i>ideal venue</i> for an auction ... In fact, a stamp auction was recently held on a WWW page. It was set up by Brendan Boelke and I think it was an <i>excellent format</i> for conducting the auction ... I see no reason why it shouldn't be <i>the standard for auctions in the future</i>."</p>
<p>[b] receiving at a communication handler program executing on a host computer information from a seller corresponding to an item for auction, the information received from the seller including</p>	<p><i>Nahan describes sellers providing item information, including textual descriptions and high-definition images, that is received and stored at the system's central host computer.</i></p> <p>Nahan—Abstract: "A plurality of electronic images of works of art which are for sale are created by at least one listing dealer and stored on the storage equipment associated with the main computer. Data is input about each stored image and input data is associated with each corresponding stored image."</p> <p>Nahan—Fig 23: "Transmission of Data & Images of Works To Be Listed to Host Computer by Listing Dealer"</p> <p>Nahan—13:29-37: "As shown in FIG. 23, when a dealer wishes to list his artwork on the system ... He also transmits data about the various works and their corresponding artists 450—entering the information into a standard form. When the images and data have been successfully entered into the host computer 2, the system provides a numbered listing acknowledgment 452 along with an invoice for the listings."</p>
<p>[c] (i) a designation of a category, selected from a list of categories, under which the item for auction is to be listed, and</p>	<p><i>Nahan describes sellers designating categories and subcategories for items when listing them for sale within the system.</i></p> <p>Nahan— 2:60-64: "Original works of art are photographed with high resolution cameras, converted to digital images on computer controlled electronic scanning equipment,</p>

¹ The Nahan patent is attached to this Protest as Exhibit A, No. 1.

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	<p><i>categorized</i> by different criteria, and stored in a complex computer database along with information about the artist and artwork.”</p> <p>Nahan— 3:40-44: “The System guides the salesperson to display, on the larger monitor, images of artwork from the dealer’s own inventory and inventories of member dealers around the world, <i>categorized</i> by different criteria.”</p> <p>Nahan—Col. 8, Table 1.</p> <p>Nahan—8:25-9:60: “The following <i>categories</i> are also preferably available as selection criteria via the screen of Table 1: (1) Style, with the following <i>subcategories</i>...”</p>
<p>[d] (ii) input relating to scheduling an auction for the item;</p>	<p><i>Nahan describes sellers providing information about items which become immediately available to buyers upon listing. As demonstrated by a number of dependent claims in the '014 application, such an “immediate” offer invoked by the seller’s entry of item information constitutes “scheduling.” Although, Nahan does not describe an “auction,” as explained above in connection with Claim 11, element [a], it would have been obvious to one skilled in the art to implement Nahan in an auction format.</i></p> <p><i>Moreover, as demonstrated by the Save the Earth reference and a number of references related to stamp collecting—which Nahan expressly identifies as a field of use for its system—permitting sellers to schedule auctions of their goods was customary in electronic auctions.</i></p> <p>---- SECONDARY REFERENCES / KNOWLEDGE IN THE ART ----</p> <p><i>Save the Earth at 2—Exh. A, No. 5: “All items are autographed and will be auctioned on the Internet from April 22, through May 21, 1995...”</i></p> <p><i>rec.collecting.stamps—Exh. A, No. 11: “What would be really nice would be a “bid-broker” software. It might work something like this: ... 2. <u>A seller sends</u> his description, reserve price, <u>cut-off-date</u>, etc to the BidBroker.”</i></p> <p><i>rec.collecting.stamps—Exh. A, No. 22: “I would like to thank all of you who have stopped by to take a look at the auction pages I put up on the WWW. ... [J]ust a reminder that <u>the Auction closes at midnight on April 8.</u></i></p> <p><i>rec.collecting.stamps—Exh. A, No. 21: “I guess I’ll try this too. I had posted this item for sale, but got no responses, perhaps because I never gave an idea of what I wanted for it: LOT #2: France. Scott #37. F-VF Used. Scott Catalog Value is \$600. Minimum bid is 10% of Scott, or \$60. <u>Will also sell to highest bidder by July 1.</u>”</i></p>
<p>[e] processing at least a portion of the received information into a presentation format by a database-to-presentation format formatting</p>	<p><i>Nahan describes using the host computer to process item information stored in the database into a presentation format that includes an indication of category and subcategories.</i></p>

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program, the presentation format including an indication of the category of the item for auction;	<p>Nahan— 2:60-64: “Original works of art are photographed with high resolution cameras, converted to digital images on computer controlled electronic scanning equipment, <i>categorized</i> by different criteria, and stored in a complex computer database along with information about the artist and artwork.”</p> <p>Nahan— 3:40-44: “The System guides the salesperson to display, on the larger monitor, images of artwork from the dealer's own inventory and inventories of member dealers around the world, <i>categorized</i> by different criteria.”</p> <p>Nahan—Col. 8, Table 1.</p> <p>Nahan—8:25-9:60: “The following <i>categories</i> are also preferably available as selection criteria via the screen of Table 1: (1) Style, with the following <i>subcategories</i>...”</p>
[f] based at least in part on the received auction scheduling input, conducting an auction for the item over the Internet by presenting the presentation format to a plurality of potential bidders;	See Claim 11 [d, e] <i>supra</i> .
[g] receiving at the host computer at least, one bid on the auctioned item from a bidder; and	<p><i>Nahan describes receiving reservations of items and offers to buy items at the system's host computer. Although Nahan does not describe these as "bids," as explained above in connection with Claim 11, element [a] it would have been obvious to implement Nahan in an auction format, a format that inherently requires receiving "bids."</i></p> <p><i>Save the Earth—Exh. A, No. 5: “Internet users will be able to view full color images of the posters to be auctioned online, check current bids and enter their own bids online.”</i></p>
[h] receiving at a host computer payment information from the bidder.	<p><i>Nahan describes receiving at the host computer information about participants—who may be buyers or sellers—during the registration process. Included among this information is participant-specific payment information that is used by Nahan's detailed wire-transfer based transaction processor to process payment for sales. During this payment clearing process, the host computer receives “payment information” from the buyer, who also has the option to modify their default wire transfer instructions that were previously received at the host computer.</i></p> <p>Nahan—14:1-3: “The buying dealer can also effect changes in the wire transfer instructions for the source of money...”</p> <p>Nahan—13:62-64: “Finally, the system requests that the buying dealer transfer funds to pay for the purchased work. ... The transfer is preferably made to an escrow account maintained by the system purveyor.”</p>
12. The method of claim 11 further comprising: passing the received payment information from a	<i>Nahan describes utilizing an external clearinghouse—a escrow bank associated with the host—that clears payment</i>

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host computer to an external clearinghouse; and receiving at a host computer a response from the external clearinghouse that payment has cleared.	<p><i>for items and notifies the host computer that payment has cleared.</i></p> <p>Nahan—Fig. 25: “B[uying]D[ealer] Bank wire transfer funds [to] Host Esc[row] ... [Host Escrow] Bank notifies host, Funds received.”</p>
13. The method of claim 11 wherein the database-to-presentation formatting program comprises a database-to-worldwide web mapping module.	<p><i>Nahan described presenting item information from the host computer's database to participant terminals, as explained above in connection with Claim 11, element [e]. Although Nahan does not describe a “database-to-worldwide web mapping module,” as explained above in connection with Claim 11, element [a], it would have been obvious to one skilled in the art to implement Nahan's teachings in a Worldwide Web based auction as described in Save the Earth. Presenting item information from a database over the web inherently requires some form of a “database-to-worldwide web mapping module,” the use of a markup language (HTML), and a worldwide web page server.</i></p>
14. The method of claim 11 further comprising: receiving payment information from the bidder via a worldwide web page server executing on the host computer.	<p><i>See Claims 11 [h], 13 supra.</i></p>
15. The method of claim 11 further comprising: processing the received payment information with a transaction processor to debit an account identified by the payment information.	<p><i>Nahan describes a detailed transaction processor which processes payment for items sold over the network using wire transfers from buyers' accounts. The transfer of such funds from a buyer's account necessarily involves “debiting” that account.</i></p> <p>Nahan—Fig. 25: “B[uying]D[ealer] Bank wire transfer funds [to] Host Esc[row] Bank.”</p> <p>Nahan—13:62-14:5: “Finally, the system requests that the buying dealer transfer funds to pay for the purchased work. ... The transfer is preferably made to an escrow account maintained by the system purveyor.”</p>
16. The method of claim 11 further comprising: associating the payment information with the bid received from the bidder.	<p><i>Nahan describes associating a buyer's payment information with a purchase request from that buyer, as such association—if not inherent in receiving payment for a particular item—is necessary for the issuance of tracking and cancellation notices to buyers and sellers if payment is not received after a predetermined period of time. If payment information provided by a buyer were not associated by the system with the buyer's purchase request, the system would have no way of determining which order to cancel and which participant to notify.</i></p> <p>Nahan—14:6-14: “If the system does not receive notification that the buying dealer has wire transferred the necessary funds within a predetermined period of time 530, the system issues an electronic order acceptance tracking</p>

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	notice to the buying dealer 532. If after another predetermined period of time, the system still has not received notification that the buying dealer has wire transferred the funds 536, the system cancels the order 538 [and] issues an order cancellation notice to the buying dealer and the listing dealer 540.”
17. The method of claim 11 wherein the payment information identifies a credit card account.	<p><i>Nahan describes clearing electronic payment in the form of wire transfers. As explained in section II. F. of this Protest, the inherent inefficiencies associated with such an approach would have motivated one skilled in the art to utilize any one of a number of forms of electronic payment (e.g., credit card processing, funds transfer, credit/debit accounts, clearinghouses, e-money) in an electronic auction. As the ‘014 application correctly concedes, each of these techniques was “well known” by skilled artisans who “understood” how to incorporate any of them in an electronic auction.</i></p> <p><i>Indeed, one skilled in the art would have been motivated to replace the wire transfer system Nahan disclosed in its preferred embodiment for “high monetary value” works of original art with lower transaction cost credit card processing when using Nahan for the sale of lower priced items.</i></p>
18. The method of claim 11 wherein the information received from the seller includes a price for the auction item.	<p><i>Nahan describes a detailed method by which the system assists a seller in determining an asking price that the seller provides when listing an item.</i></p> <p>Nahan—13:26-28: “This approach assists the dealer in setting a price...”</p>
19. The method of claim 11 wherein the presentation format comprises a hypertext markup language format.	See Claim 13 <i>supra</i> .
147. The method of claim 11 or 26 wherein the communication handler program comprises a Unix daemon.	<p><i>Nahan describes managing and updating the item information stored in its host computer based on input received “over a high speed communications network on a dynamic real time basis.” To process such communications on a “real time basis” requires the use of automated software programmed to perform specific steps in response to the receipt of such communications. Such programs are commonly referred to as “daemons.” Although Nahan does not describe using a Unix operating system, it would have been obvious to one skilled in the art that the operations of an online system are not dependent on a particular operating system such as Windows or Unix. Indeed, the use of Unix to implement an auction system was well known.</i></p> <p>Nahan 2:38-45: “a computerized system incorporating high resolution imaging, printing and database management, in a multimedia environment, for the marketing, selection,</p>

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	<p>purchase, and sale of unique, high monetary value characteristic products, including the processing of all documents to effect and settle the resulting transaction, over a high speed communications network on a dynamic, real time basis." See, e.g., <i>Exh. A, No. 6</i> ("An EIT developer, Eric Rescorla, implemented the auction application using the company's ServiceMail public domain toolkit, Tenenbaum said. ServiceMail transforms UNIX applications into network service via E-mail, he said.").</p> <p>---- SECONDARY REFERENCES / KNOWLEDGE IN THE ART ----</p> <p>http://www.webopedia.com/TERM/d/daemon.html²</p> <p>"daemon: A process that runs in the background and performs a specified operation at predefined times or in response to certain events. The term <i>daemon</i> is a UNIX term, though many other operating systems provide support for daemons ... Typical daemon processes include print spoolers, e-mail handlers, and other programs that perform administrative tasks for the operating system.</p>
<p>148. The method of claim 11 wherein the received auction scheduling input relates to an auction duration.</p>	<p><i>Nahan described making items available to buyers immediately upon listing. Although Nahan does not discuss input relating to auction duration, as discussed above in connection with Claim 11, element [d], it was well known in the art for sellers to provide input relating to the duration or cut-off date for auctions of their items.</i></p> <p>---- SECONDARY REFERENCES / KNOWLEDGE IN THE ART ----</p> <p><i>Save the Earth (p. 2): "All items are autographed and will be auctioned on the Internet from April 22, through May 21, 1995..."</i></p> <p><i>rec.collecting.stamps—Exh. A, No. 11: "What would be really nice would be a "bid-broker" software. It might work something like this: ... 2. A seller sends his description, reserve price, <u>cut-off-date</u>, etc to the BidBroker."</i></p> <p><i>rec.collecting.stamps—Exh. A, No. 22: "I would like to thank all of you who have stopped by to take a look at the auction pages I put up on the WWW. ... [J]ust a reminder that the Auction closes at midnight on April 8."</i></p> <p><i>rec.collecting.stamps—Exh. A, No. 21: "I guess I'll try this too. I had posted this item for sale, but got no responses, perhaps because I never gave an idea of what I wanted for it: LOT #2: France. Scott #37. F-VF Used. Scott Catalog Value is \$600. Minimum bid is 10% of Scott, or \$60. <u>Will also sell to highest bidder by July 1.</u>"</i></p>
<p>149. The method of claim 11 wherein the received auction scheduling input relates to one or</p>	<p>See Claim 148 <i>supra</i>.</p>

² Attached to this Protest as Exhibit A, No. 16.

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both of an auction starting time and an auction ending time.	
<p>150. The method of claim 11 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.</p>	<p><i>Nahan described making items available to buyers immediately upon listing. Indeed, one of the known advantages of online auctions and markets was that auctions for items can be conducted individually on their own schedule. This permitted auctions to be conducted on a daily basis and manually invoked with an immediate or near immediate start upon listing without needing to wait for a regularly scheduled auction to be conducted. Indeed, where a seller operates an auction of their own goods—as described in the '014 application and a host of prior art auctions conducted by individual collectors—the seller manually invokes the auction for an immediate start upon posting the auction to bidders.</i></p> <p><i>rec.collecting.stamps E 0295163:</i> “There is card auction going on every day of the week.”</p> <p><i>rec.collecting.stamps E 0295165:</i> “What would be really nice would be a “bid-broker” software. It might work something like this: ... 2. A seller sends his description, reserve price, cut-off-date, etc to the BidBroker. 3. The BidBroker assigns a lot number to the description, and forwards it to the list of registered bidders.”</p> <p><i>rec.collecting.stamps E 0295163-64:</i> “I’ll try one right here - LOT #1 Scott #477 Italy 100 Lire - VF NH Condition Scott Catalog Value for NH is \$400. Will sell to highest bidder by July 1, 1994. Just place your bids right here (I hope this works) this is a really nice stamp.”</p>
<p>151. The method of claim 11 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.</p>	<p><i>See Claim 150 supra.</i></p>
<p>152. The method of claim 11 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.</p>	<p><i>See Claim 150 supra.</i></p>
<p>153. The method of claim 11 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.</p>	<p><i>See Claim 148 supra.</i></p>
<p>20. [a] A computer-implemented method of conducting auctions on the internet, the method comprising:</p>	<p><i>See Claim 11 [a] supra.</i></p>
<p>[b] receiving information about an item to be auctioned, the received information including</p>	<p><i>See Claim 11 [b] supra.</i></p>
<p>[c] (i) a designation of a category, selected from a</p>	<p><i>See Claim 11 [c] supra.</i></p>

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list of categories, under which the item is to be auctioned, and	
[d] (ii) input relating to scheduling an auction for the item;	<i>See Claim 11 [d] supra.</i>
[e] generating a tracking identifier to identify the item to be auctioned;	<p><i>Nahan described generating a tracking identifier for each item as well as a tracking number for each listing on the network.</i></p> <p>Nahan—11:30-32: “ISAN stands for International Standard Artwork Number and will be used throughout the art world to identify individual works of art.”</p> <p>Nahan—13:29-37: “...When the images and data have been successfully entered into the host computer 2, <i>the system provides a numbered listing acknowledgment 452</i> along with an invoice for the listings.”</p>
[f] processing at least a portion of the received information to create a presentation format corresponding to the item to be auctioned, the presentation format including an indication of the category of the item to be auctioned;	<i>See Claim 11 [e] supra.</i>
[g] based at least in part on the received auction scheduling input, conducting an auction for the item over the Internet by presenting the presentation format to a plurality of internet participants;	<i>See Claim 11 [f] supra.</i>
[h] receiving at least one bid for the item from at least one internet participant;	<i>See Claim 11 [g] supra.</i>
[i] providing to the internet participant instructions for sending payment information to pay for the auctioned item.	<p><i>Nahan describes issuing wire-transfer payment instructions to buyers.</i></p> <p>Nahan—Abstract: “Instructions to complete the purchase are automatically generated and communicated to the intelligent terminals corresponding to the appropriate listing dealer and the appropriate buying dealer.”</p> <p>Nahan—4:1-6: “Using simple commands, a series of electronic communications are initiated between the host computer and the buying and listing dealers to effect, and ultimately consummate, the transaction. These include purchase and sale invoices, <i>wire transfer instructions</i>, confirmations of shipment and receipt, and a number of other documents.”</p>
21. [a] The method of claim 20 wherein conducting an auction for the item comprises opening an auction process to participants on the internet; and	<i>See Claim 11 [a] supra.</i>
[b] further comprising automatically closing the auction process to the internet participants based on a predetermined condition.	<i>Nahan describes closing an item's availability for sale based on the satisfaction of predetermined conditions (i.e., receipt of a reservation or a buy-order). Although Nahan does not describe closing an auction, all auctions are closed based on a predetermined condition, be it reaching an end time, passage of a period of time without a higher bid, the seller's</i>

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	<p><i>acceptance of a bid, or reaching a particular price.</i></p> <p>Save the Earth (p. 2): "All items are autographed and will be auctioned on the Internet from April 22, through May 21, 1995..."</p>
22. The method of claim 20 further comprising: receiving the bid for the auctioned item via a world wide web page server interface.	<i>See Claim 13 supra.</i>
23. The method of claim 20 further comprising: receiving payment information from the participant, the payment information being associated with the bid.	<i>See Claim 16 supra.</i>
24. [a] The method of claim 20 further comprising: receiving from the participant payment information identifying a credit card account, [b] passing the credit card account information to a clearinghouse and receiving authorization from the clearinghouse that payment with the credit card has cleared.	<p><i>See Claim 17 supra.</i></p> <p><i>Nahan describes clearing payment by wire transfer through an external clearinghouse which provides notification that payment has cleared. Although Nahan does not expressly describe credit card processing, as explained above in connection with Claim 17, it would have been obvious to one skilled in the art to implement credit card processing. Such processing inherently involves passing credit card account information to, and receiving authorization from, an external credit card clearinghouse.</i></p> <p>Nahan—Fig. 25: "B[uying] D[ealer] Bank wire transfer funds [to] Host Esc[ow] ... [Host Escrow] Bank notifies host, Funds received."</p>
25. [a] The method of claim 20 further comprising: receiving payment information from the participant,	<i>See Claim 11 [h] supra.</i>
[b] clearing the payment information, and	<p><i>Nahan describes utilizing an external clearinghouse—a escrow bank associated with the host—that clears payment for items and notifies the host computer that payment has cleared.</i></p> <p>Nahan—Fig. 25: "B[uying] D[ealer] Bank wire transfer funds [to] Host Esc[ow] ... [Host Escrow] Bank notifies host, Funds received."</p>
[c] transferring legal ownership of the item to the participant.	<p><i>One of the stated objects of the Nahan patent was "to enable dealers to electronically market their artwork and electronically consummate transactions involving such artwork on a worldwide basis." Nahan at 2:28-30. To that end, the Nahan patent describes "a series of electronic communications are initiated between the host computer and the buying and listing dealers to effect, and ultimately consummate, the transaction." Nahan at 4:1-4.</i></p> <p><i>It would have been obvious to one of ordinary skill in the art that the electronic "consummation" of a sales transaction by</i></p>

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	<i>the "host computer" would involve an agreement authorizing the Nahan system to transfer legal ownership of an item from a seller to a buyer.</i>
154. The method of claim 20 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
155. The method of claim 20 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
156. The method of claim 20 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
157. The method of claim 20 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
158. The method of claim 20 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
159. The method of claim 20 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	<i>See Claim 148 supra.</i>
208. The method of claim 21 wherein the predetermined condition is defined at least in part by the received auction scheduling input.	<p><i>Nahan describes closing an item's availability for sale based on the satisfaction of predetermined conditions (i.e., receipt of a reservation or a buy-order). Although Nahan does not describe closing an auction, all auctions are closed based on a predetermined condition, be it reaching an end time, passage of a period of time without a higher bid, the seller's acceptance of a bid, or reaching a particular price. Terminating an auction based on a predetermined cutoff date specified by a seller was among the most common practices in prior art online auctions.</i></p> <p><i>Save the Earth at 2—Exh. A, No. 5: "All items are autographed and will be auctioned on the Internet from April 22, through May 21, 1995..."</i></p> <p><i>rec.collecting.stamps—Exh. A, No. 11: "What would be really nice would be a "bid-broker" software. It might work something like this: ... 2. <u>A seller sends</u> his description, reserve price, <u>cut-off-date</u>, etc to the BidBroker. ... 4. <u>On the cut-off-date</u>, the BidBroker determines the winning bidder ..."</i></p>

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33. A system for conducting auctions on the internet, the system comprising:	<i>See Claim 11 [a] supra.</i>
an auction item presentation means for presenting items for auction-to-auction participants connected via the internet, the auction item presentation means presenting items for auction arranged into item categories, each item for auction being associated with an item category designated by a seller of the item to be auctioned;	<i>See Claim 11 [e] supra.</i>
an auction process means for executing an auction process for the item based at least in part on scheduling input received from the seller;	<i>See Claim 11 [c] supra.</i>
an auction bid recipient means for receiving, during the auction process, at least one bid for an item being presented by the auction item presentation means; and	<i>See Claim 11 [f] supra.</i>
payment recipient means for receiving payment information from a bidding participant,	<i>See Claim 11 [g] supra.</i>
the payment information corresponding to the item for which the bid was received.	<i>See Claim 11 [h] supra.</i>
	<i>See Claim 16 supra.</i>
34. The system of claim 33 further comprising payment verification means for passing received payment information to an external clearinghouse for verification.	<i>See Claim 12 supra.</i>
35. The system of claim 33 wherein the auction item presentation means comprises a database-to-presentation formatting program for mapping information from a database into a worldwide web format.	<i>See Claim 13 supra.</i>
36. The system of claim 33 further comprising: a transaction processor to debit an account identified by the payment information if the received bid is approved.	<i>See Claim 15 supra.</i>
37. The system of claim 33 wherein the received payment information identifies a credit card.	<i>See Claim 17 supra.</i>
38. The system of claim 36 wherein the payment information identifies a credit card and	<i>See Claim 17 supra.</i>
wherein the transaction processor charges the credit card for the payment associated with the approved bid.	<i>See Claim 15 supra.</i>
39. The system of claim 33 wherein the auction item presentation means presents the auction item information as a markup language page.	<i>See Claim 13 supra.</i>
160. The system of claim 33 wherein the	<i>See Claim 148 supra.</i>

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received auction scheduling input relates to an auction duration.	
161. The system of claim 33 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
162. The system of claim 33 wherein the received scheduling input comprises an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
163. The system of claim 33 wherein the received scheduling input consists of an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
164. The system of claim 33 wherein the received scheduling input comprises an indication that the auction process is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
165. The system of claim 33 wherein the received scheduling input comprises an indication that the auction process is to be initiated at a future time.	<i>See Claim 148 supra.</i>
40. [a] An auction participant system for enabling participation in an online auction conducted over a packet-switched network, the auction participants including sellers of items to be auctioned and bidders on the items to be auctioned, the system comprising:	<p><i>It would have been obvious to one skilled in the art to implement Nahan's teachings in an Internet or Worldwide Web based auction as explained above in connection with Claim 11, element [a]. Communications over the Internet or worldwide web are inherently transmitted over a "packet-switched network."</i></p> <p><i>See http://computer.howstuffworks.com/router.htm/printable.³ ("Internet data, whether in the form of a Web page, a downloaded file or an e-mail message, travels over a system known as a packet-switching network.")</i></p>
[b] an auction item receiving means for receiving a page of information including one or more items available for auction,	<i>See Claim 11 [b] supra.</i>
[c] the received page of information including a designation of item categories with which the items for auction are associated, each seller designating an item category for that seller's item to be auctioned;	<i>See Claim 11 [c] supra.</i>
[d] an auction process means for executing an auction process corresponding to the item based at least in part on scheduling input received from the seller;	<i>See Claim 11 [f] supra.</i>
[e] an auction bid input means for inputting a bid for at least one of the items presented in the received page and for inputting payment	<i>See Claim 11 [g, h] supra.</i>

³ Attached to this Protest as Exhibit A, No. 17.

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information associated with the bid; and	
[f] bid transmission means for transmitting the bid and payment information via the packet-switched network to a remote bid processor system.	<i>See Claim 11 [g] supra.</i>
41. The system of claim 40 wherein the received page comprises a markup language page and wherein the auction item receiving means comprises a web browser connected via the internet to a server at the remote bid processor system.	<i>See Claim 13 supra.</i>
42. The system of claim 40 wherein the payment information identifies a credit card provided by the auction participant to pay for the item in the amount of the bid.	<i>See Claim 17 supra.</i>
166. The system of claim 40 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
167. The system of claim 40 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
168. The system of claim 40 wherein the received scheduling input comprises an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
169. The system of claim 40 wherein the received scheduling input consists of an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
170. The system of claim 40 wherein the received scheduling input comprises an indication that the auction process is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
171. The system of claim 40 wherein the received scheduling input comprises an indication that the auction process is to be initiated at a future time.	<i>See Claim 148 supra.</i>
43. [a] A system for auctioning a uniquely identified item over a packet-switched network, the system comprising:	<i>See Claim 40[a] supra.</i>
[b] a database of data records, each data record relating to an item and comprising an identifier to uniquely identify the item and	<p><i>Nahan describes a database of item data records including unique item identifiers.</i></p> <p>Nahan—2:60-64: “Original works of art are photographed with high resolution cameras, converted to digital images on computer controlled electronic scanning equipment,</p>

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	<p>categorized by different criteria, and stored in a complex computer <i>database</i> along with information about the artist and artwork.”</p> <p>Nahan—11:30-32: “ISAN stands for International Standard Artwork Number and will be used throughout the art world to identify individual works of art.”</p> <p>Nahan—13:29-37: “...When the images and data have been successfully entered into the host computer 2, <i>the system provides a numbered listing acknowledgment</i> 452 along with an invoice for the listings.”</p>
[c] an item category, designated by a seller of the item, under which the item is to be offered for auction;	See Claim 11 [c] <i>supra</i> .
[d] an auction system, accessible by a plurality of participants via the packet-switched network, that presents an item for auction by providing a mark-up language page of information corresponding to an item that is available for auction during a specified time, the mark-up language page of information including an indication of the item's category;	See Claim 11 [e] <i>supra</i> .
[e] wherein the auction system executes an auction process corresponding to the item based at least in part on scheduling input received from the seller of the item,	See Claim 11 [f] <i>supra</i> .
[f] receives bids from one or more of the participants over the packet-switched network and	See Claim 11 [g] <i>supra</i> .
[g] terminates the auction when one or more predetermined criteria are satisfied; and	See Claim 21 [b] <i>supra</i> .
[h] wherein the auction system transmits to a selected auction participant information about where the selected auction participant should submit payment information for the auctioned item.	See Claim 20 [i] <i>supra</i> .
<p>44. The system of claim 43 wherein the auction system refuses to accept bids after the one or more predetermined criteria have been satisfied.</p>	<p><i>Nahan described refusing to accept offers to purchase an item after predetermined criteria. Although Nahan does not expressly describe closing an auction, as explained above in connection with Claim 208, all auctions by their very nature must end. One of ordinary skill in the art would understand that no bids would be accepted after an auction ended; indeed, if bids are still accepted an auction has not ended.</i></p> <p>Nahan—3:57-62: “If the customer likes a particular work, but has not firmly decided to purchase it, the salesperson can reserve it throughout the entire dealer network for a limited time period. During this period no one else can purchase the artwork, which <u>is marked on the monitor, for any dealer viewing it with a green dot</u> (customarily used for ‘hold’ sign in galleries everywhere).”</p>
45. The system of claim 43 wherein the auction	See Claim 13 <i>supra</i> .

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system comprises a web page server interface for receiving bids from auction participants connected to the auction system via the world wide web.	
46. The system of claim 43 wherein the auction system receives payment information with each bid.	<i>Nahan discloses receiving payment information with each purchase order. Although Nahan does not describe auction bids—which are merely forms of purchase request—it would have been obvious to one skilled in the art to receive and process payment information with each bid. Moreover, one skilled in the art would have been motivated to do so to protect the integrity of the auction system by reducing the likelihood of having to repeat an auction because a bidder was unable to pay and by minimizing the need for protracted collection efforts.</i>
47. The system of claim 46 wherein the auction system receives payment information identifying a credit card account, and transmits the credit card account information to a remote verification system before processing the bid.	<i>See Claim 46 supra.</i>
48. The system of claim 47 wherein the auction system selects a bid based on the one or more predetermined criteria,	<i>See Claim 44 supra.</i>
processes the credit card account for the amount of the bid, and	<i>See Claim 24 [b] supra.</i>
transfers legal ownership of the item to the participant that submitted the bid.	<i>See Claim 25 [c] supra.</i>
172. The system of claim 43 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
173. The system of claim 43 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
174. The system of claim 43 wherein the received scheduling input comprises an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
175. The system of claim 43 wherein the received scheduling input consists of an indication that the auction to be started immediately.	<i>See Claim 150 supra.</i>
176. The system of claim 43 wherein the received scheduling input comprises an indication that the auction process is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
177. The system of claim 43 wherein the received scheduling input comprises an indication that the auction process is to be initiated at a future	<i>See Claim 148 supra.</i>

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time.	
189. The system of claim 43 wherein the received scheduling input comprises an indication that the auction process to be initiated at a future time.	<i>This claim is identical to Claim 177.</i>
209. The system of claim 43 wherein the one or more predetermined criteria are defined at least in part by the received scheduling input.	<i>See Claim 44 supra.</i>
49. [a] An auction participation system, in communication with an auction processor that processes bids for items being auctioned, for enabling participation in an online auction over a packet-switched network the auction participation system comprising:	<i>See Claim 40[a] supra.</i>
[b] an auction page recipient means that receives from a server at the auction processor a page containing information about at least one item being auctioned, the received page including	<i>See Claim 11 [b] supra.</i>
[c] a designation of an item category with which the at least one item being auctioned is associated, the item category being specified by a seller of the item;	<i>See Claim 11 [c] supra.</i>
[d] an auction process means for conducting an internet-based auction of the item based at least in part on scheduling input received from the seller of the item;	<i>See Claim 11 [f] supra.</i>
[e] bid input means for enabling a participant to input a bid for submission to the auction processor via the packet-switched network;	<i>See Claim 11 [g] supra.</i>
[f] bid award receiving means for receiving an indication that the bid was awarded to the participant; and	<p><i>Nahan describes providing an electronic indication to all participants—including the buyer—that an item was awarded to a buyer. Although Nahan does not expressly discuss awarding a winning auction bid, it would have been obvious to one skilled in the art to incorporate such notification in an online auction, as evidenced by a number of prior art online auctions. Indeed, every auction inherently involves awarding an item to the winning bidder and notifying that bidder that they had won the auction.</i></p> <p>Nahan—3:63 - 4:6: “If the customer decides to make the purchase, <u>notification is instantly sent throughout the global network ... and it is marked on the monitor with a red dot</u> (customarily used for a "sold" sign in galleries everywhere). ...”</p> <p>rec.collecting.stamps—Exh. A, No. 20: “Any day when there is no new bids, seller marks lot as 'going once', when there are two consecutive days with out any action on a lot, seller posts 'going twice'. If no bids follow after <u>than mark lot sold.</u>”</p>

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	<i>rec.collecting.stamps—Exh. A, No. 11:</i> “What would be really nice would be a ‘bid-broker’ software. It might work something like this: ...4. <u>On the cut-off-date</u> , the BidBroker determines the winning bidder and the winning price (realisation) and <i>forwards this info to the seller and the winning bidder</i> . The seller and winning bidder communicate directly to complete the transaction.”
[g] payment information input means for enabling the participant to input payment information in response to receiving a bid award.	See Claim 11 [h] <i>supra</i> .
50. The system of claim 49 wherein the auction page receiving means comprises a web browser system that accesses a server at the auction processor to receive the page.	See Claim 13 <i>supra</i> .
51. The system of claim 49, wherein the auction participation system receives payment information with each bid.	See Claim 46 <i>supra</i> .
52. The system of claim 51 wherein the auction participation system receives payment information identifying a credit card account and transmits the credit card account information to a verification system before processing the bid.	See Claim 46 <i>supra</i> .
53. The system of claim 52 wherein the auction participation system selects a bid based on one or more predetermined criteria,	See Claim 44 <i>supra</i> .
processes the credit card account for the amount of the bid and	See Claim 17 <i>supra</i> .
transfers legal ownership of the item to the participant that submitted the bid.	See Claim 25 [c] <i>supra</i> .
178. The system of claim 49 wherein the received auction scheduling input relates to an auction duration.	See Claim 148 <i>supra</i> .
179. The system of claim 49 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.	See Claim 148 <i>supra</i> .
180. The system of claim 49 wherein the received scheduling input comprises an indication that the auction is to be started immediately.	See Claim 150 <i>supra</i> .
181. The system of claim 49 wherein the received scheduling input consists of an indication that the auction is to be started immediately.	See Claim 150 <i>supra</i> .
182. The system of claim 49 wherein the received scheduling input comprises an indication that the auction is to be invoked by the seller	See Claim 150 <i>supra</i> .

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manually.	
183. The system of claim 49 wherein the received scheduling input comprises an indication that the auction is to be initiated at a future	<i>See Claim 148 supra.</i>
54. A system for facilitating commerce at an internet-based auction, the system comprising:	<i>See Claim 11 [a] supra.</i>
auction item receiving means for receiving from one or more auction participants information regarding an item to be posted for an auction,	<i>See Claim 11 [b] supra.</i>
the received information including a designation of a category, selected from a list of categories, under which the item is to be auctioned;	<i>See Claim 11 [c] supra.</i>
auction processor means for processing information received by the auction item receiving means and presenting the processed information in a format to be transmitted to auction participants over a packet-switched network, the format including an indication of the category of the item to be auctioned,	<i>See Claim 11 [e] supra.</i>
the auction processor means including an auction process means for executing an auction process for the item based at least in part on scheduling input received from the seller of the item; and	<i>See Claim 11 [f] supra.</i>
bid receiving means for receiving bids for the item presented to auction participants.	<i>See Claim 11 [g] supra.</i>
184. The system of claim 54 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
185. The system of claim 54 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
186. The system of claim 54 wherein the received scheduling input comprises an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
187. The system of claim 54 wherein the received input consists of an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
188. The system of claim 54 wherein the received scheduling input comprises an indication that the auction process to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
55. [a] A computer-implemented method of	<i>See Claim 11 [a] supra.</i>

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facilitating internet auctions, the method comprising:	
[b] receiving information from a seller including (i) information about an item to be auctioned at a computer system programmed to receive information over a communication network, and	<i>See Claim 11 [b] supra.</i>
[c] (ii) input relating to scheduling an auction for the item,	<i>See Claim 11 [d] supra.</i>
[d] the auction item information including a selection of a predetermined category, the predetermined category selected by the seller from a predetermined list of categories maintained by the computer system;	<i>See Claim 11 [c] supra.</i>
[e] based on at least a portion of the information received from a seller, generating a unique item identifier by a program executing on the computer system;	<i>See Claim 20 [e] supra.</i>
[f] notifying the seller of the unique item identifier generated in response to receiving information about the item to be auctioned;	<p><i>Nahan described generating a tracking identifier for each item as well as a tracking number for each listing on the network that was provided to sellers upon receipt of the listing.</i></p> <p>Nahan—11:30-32: "ISAN stands for International Standard Artwork Number and will be used throughout the art world to identify individual works of art."</p> <p>Nahan—13:29-37: "...When the images and data have been successfully entered into the host computer 2, <i>the system provides a numbered listing acknowledgment</i> 452 along with an invoice for the listings."</p>
[g] based at least in part on the received auction scheduling input, auctioning the item at the computer system with an auction process program,	<i>See Claim 11 [f] supra.</i>
[h] the auction process program indicating the predetermined category selected by the seller and identifying the item to be auctioned;	<i>See Claim 11 [e] supra.</i>
[i] presenting the auction to a plurality of auction participants via a computer network in response to a request to display information about the item to be auctioned, the request to display the item's information being processed by a computer program executing on the computer system; and	<p><i>Nahan describes presenting item information organized by category and subcategory over a high speed communications network in response to participant requests to display such information.</i></p> <p>Nahan—3:40-44: "The System guides the salesperson to display, on the larger monitor, images of artwork from the dealer's own inventory and inventories of member dealers around the world, categorized by different criteria."</p> <p>Nahan—7:66-8:1: "the dealer may enter a variety of selection criteria to identify artwork which comports with the client's taste or desire 52."</p>
[j] receiving at the computer system at least one bid on the item being auctioned,	<i>See Claim 11 [g] supra.</i>
[k] the computer system updating a display of the item's information in response to receipt of	<i>Nahan described updating an item's display in response to reservations or purchase requests by displaying a green or</i>

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the at least one bid.	<p><i>red dot. Although Nahan does not expressly describe updating an auction bid display, as explained above in connection with Claim 11, element [a], it would have been obvious to implement Nahan in an Internet auction format. In such auctions it was well known to update an item's display to indicate the current high bid, as such updating is necessary to inform prospective bidders of how high they must bid if they desired an auction item.</i></p> <p>Nahan—3:57 – 4:6: “If the customer likes a particular work, but has not firmly decided to purchase it, the salesperson can reserve it throughout the entire dealer network for a limited time period. During this period no one else can purchase the artwork, which <u>is marked on the monitor, for any dealer viewing it with a green dot</u> (customarily used for ‘hold’ sign in galleries everywhere). If the customer decides to make the purchase, <u>notification is instantly sent throughout the global network ... and it is marked on the monitor with a red dot</u> (customarily used for a “sold” sign in galleries everywhere). ...”</p> <p><i>rec.collecting.stamps—Exh. A, No. 21:</i> “Auctions can be more interactive than stamp bid boards. Seller describes lot, specifies minimum bit. Bidders email bids. <u>Seller posts follow up next day with name of highest bidder and what they bid.. Any day when there is no new bids, seller marks lot as ‘going once’, when there are two consecutive days with out any action on a lot, seller posts ‘going twice’. If no bids follow after than mark lot sold.</u>”</p>
64. The method of claim 55 wherein the information received from a seller further comprises an item subcategory, selected by the seller from a list of item subcategories, under which the item is to be offered for auction.	See Claim 11 [c] <i>supra</i> .
65. The method of claim 55 wherein the information received from a seller comprises a verbal description of the item or a graphical depiction of the item or both.	See Claim 11 [b] <i>supra</i> .
66. The method of claim 55 wherein the information received from a seller comprises a verbal description of the item, the verbal description including subjective information supplied by the seller.	See Claim 65 <i>supra</i> .
67. The method of claim 66 wherein the subjective information includes one or more of following: condition of the item being offered for auction, authenticity of the item being offered for auction or special features of the item being offered for auction.	See Claim 65 <i>supra</i> .

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<p>68. The method of claim 55 wherein, prior to supplying information, the seller registers to sell items for auction.</p>	<p><i>Nahan describes registering accounts for participants based on identity and financial information.</i></p> <p>Nahan—Fig. 4, items 42-50: "A new client? ... Create row new client record ... Enter new client info now? ... New client entry ... Client File"</p> <p>Nahan—12:11-22: "The client information option, which is available on the Search screen, the Vignette screen and the Large Image screen, gives the user the ability to complete the detailed client information. In other words, a new client button is clicked and a prompt appears requesting input of the new client's name. As shown in FIG. 14, after the client's name is input 321, the system then checks the client database file 332 to verify that the client is not already on the system 322-326. The system then prompts for additional information about the client 328 and then stores all input information 330 as a client record in the client database file 332."</p> <p>Nahan—13:62-66: "Finally, the system requests that the buying dealer wire transfer funds to pay for the purchased work 522. At this time, <i>the listing dealer can issue modified wire transfer instructions</i> such as name and address of bank to receive funds 524, 526."</p>
<p>69. The method of claim 68 wherein registering the seller comprises receiving identity information from the seller.</p>	<p><i>See Claim 68 supra.</i></p>
<p>70. The method of claim 68 wherein registering the seller comprises receiving financial information from the seller.</p>	<p><i>See Claim 68 supra.</i></p>
<p>71. The method of claim 68 wherein registering the seller comprises opening a debit / credit account for the seller.</p>	<p><i>Nahan describes registering participants by establishing accounts upon registration in which identity information and financial information (wire transfer account information) as explained above in connection with Claim 68. Nahan further describes transferring purchase funds from and to existing financial accounts of buyers and sellers, which inherently involves debiting and crediting those accounts. While it would not be desirable for the system to "float" payment on behalf of purchasers for the high monetary value artwork discussed in Nahan's preferred embodiment, it would have been obvious to one of skill in the art that the system could establish credit/debit accounts for buyers and sellers of less expensive goods such as stamps and other collectables. Indeed, the use of such accounts with periodic collections (e.g., payment of the monthly balance of the account) was well known in the art for the sales of lower priced goods.</i></p>
<p>72. The method of claim 71 further comprising debiting the seller's account by an amount corresponding to a seller's fee.</p>	<p><i>See Claim 71 supra.</i></p>

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73. The method of claim 71 further comprising crediting the seller's account by an amount corresponding to the purchase price of an item sold at auction.	<i>See Claim 71 supra.</i>
74. The method of claim 55 wherein the seller logs into the auction computer system from a computing platform in order to provide information about an item to be auctioned.	<p><i>Nahan describes participants—both buyers and sellers—accessing the computer from a computer terminal to enter and access information about items for sale.</i></p> <p>Nahan—Abstract: “A plurality of preprogrammed intelligent terminals each having data storage and retrieval equipment, at least one display screen, and at least one input device, located at at least one listing dealer location and at at least one buying dealer location communicate with the main computer.”</p> <p>Nahan—5:54-56: “The regional node computer configuration(s) 4 preferably comprise the same configuration as the host computer system 2.”</p> <p>Nahan—7:37-42: “The sales suite 10 is an intelligent terminal comprising a computer 21, a keyboard 17 and a pointing device (mouse) 19, a work monitor 13 (for text input and review), and a view monitor 11 (for viewing images) mounted in a wall unit associated with a table 15.”</p>
75. The method of claim 74 wherein the seller's computing platform comprises a personal computer, a workstation, a cable set-top device, a video game system or a portable computing device.	<i>See Claim 74 supra.</i>
76. The method of claim 55 wherein an auction participant logs into the auction computer system from a computing platform in order to browse or bid on items offered for auction.	<i>See Claim 74 supra.</i>
77. The method of claim 76 wherein the auction participant's computing platform comprises a personal computer, a workstation, a cable set-top device, a video game system or a portable computing device.	<i>See Claim 74 supra.</i>
78. The method of claim 55 wherein the seller-provided information includes a reserve price for the item to be auctioned.	<i>See Claim 18 supra.</i>
79. The method of claim 78 wherein the seller's reserve price is not revealed to auction participants.	<p><i>As explained above in connection with Claim 18, sellers provided prices with their listings in Nahan. It would have been obvious to one skilled in the art to modify this teaching in an auction format to provide a minimum acceptable bid or reserve price. Although Nahan posted the asking price for an item, one of ordinary skill in the art in 1995 would have been motivated to not reveal the minimum acceptable bid or</i></p>

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	<p><i>reserve price, as it was well-known in the art that the use of a confidential reserve price protected a seller's interests.</i></p> <p>---- SECONDARY REFERENCES / KNOWLEDGE IN THE ART ----</p> <p><i>See, e.g., Exh. A, No. 18 at 97-98 (“The live-auction process works well when combined with the use of a reserve price establishing the minimum amount acceptable to the seller. This device protects the seller from having to ‘give away’ assets at unrealistically low bids, increasing the average selling price to all sellers over time.”).</i></p> <p><i>See, e.g., http://www.auctioneerscanada.com/auctglos.html (“Auction with Reserve: An auction in which the seller reserves the right to accept or decline any and all bids. A minimum acceptable price may or may not be disclosed.”)</i></p>
<p>80. The method of claim 55 wherein prior to bidding on an item an auction participant browses the predetermined list of categories to search for desired items on which to place bids.</p>	<p><i>Nahan describes presenting item information organized by predetermined categories that a potential buyer may browse or search before selecting an item for purchase.</i></p> <p>Nahan—3:40-44: “The System guides the salesperson to display, on the larger monitor, images of artwork from the dealer's own inventory and inventories of member dealers around the world, categorized by different criteria.”</p> <p>Nahan—7:66-8:1: “the dealer may enter a variety of selection criteria to identify artwork which comports with the client's taste or desire 52.” (7:66-8:1)</p>
<p>81. The method of claim 55 wherein the seller ships an item purchased at auction to a destination specified by the purchasing auction participant.</p>	<p><i>Nahan describes sellers shipping items to buyer-specified locations.</i></p> <p>Nahan—4:22-26: “It also enables individual owners to offer their artwork for sale to a wide audience in a forum other than an auction, while allowing them to retain physical possession of such artwork until it is sold.”</p> <p>Nahan—13:56-59: “At the same time, an order acceptance 510 is conveyed to the buying dealer as well as an inquiry as to any change in the buying dealer's default shipping instructions 512.”</p>
<p>82. The method of claim 55 wherein the seller-provided information includes an indication from the seller whether the item offered for auction is to be advertised to potential bidders.</p>	<p><i>Although Nahan does not expressly describe permitting sellers to specify whether their item is to be “advertised,” the benefits of advertising on the Internet and Worldwide Web were well known prior to April 1995. Indeed, advertising was one of the earliest recognized sources of revenue on the Internet and it was known in the art that the advertising industry was “investing heavily” in online transactional and auction systems.</i></p> <p><i>Save the Earth at 1—Exh. A, No. 5: “The</i></p>

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	telecommunications, retail, <i>advertising</i> and other industries are presently <i>investing heavily</i> in online tests and trial services aimed at tapping into what many believe will be a major marketing and sales channel in the near future.”; (p. 2): “The online communications and World Wide Web access services ... are being contributed by ... Global Commerce Link.”; “GCL products and services support interactive sales transaction, marketing, <i>advertising</i> , and customer service applications on the Internet...”
83. The method of claim 82 wherein the advertisement appears on a main web page maintained by the auction computer system.	<i>See Claim 82 supra.</i>
84. The method of claim 83 wherein the main web page comprises a welcome page.	<i>See Claim 82 supra.</i>
85. The method of claim 55 further comprising notifying an auction participant that a bid by that participant has been accepted.	<i>See Claim 55[k] supra.</i>
86. The method of claim 55 wherein an auction participant makes electronic payment for an item purchased at auction.	<p><i>Nahan describes clearing electronic payment from a buyer in the form of electronic wire transfers.</i></p> <p>Nahan—Fig. 25: “B[uying]D[ealer] Bank wire transfer funds [to] Host Esc[row]”</p>
87. The method of claim 86 wherein an auction participant makes electronic payment by providing credit card or debit card information.	<i>See Claim 86 supra.</i>
88. The method of claim 86 wherein an auction participant makes electronic payment by providing electronic funds transfer information	<i>See Claim 86 supra.</i>
89. The method of claim 86 wherein an auction participant makes electronic payment using e-money.	<p><i>Nahan describes clearing electronic payment in the form of wire transfers. As explained in section II. F. of this Protest, the inherent inefficiencies associated with such an approach would have motivated one skilled in the art to utilize any one of a number of forms of electronic payment (e.g., credit card processing, funds transfer, credit/debit accounts, clearinghouses, e-money) in an electronic auction. As the '014 application correctly concedes, each of these techniques was “well known” by skilled artisans who “understood” how to incorporate any of them in an electronic auction.</i></p>
90. The method of claim 55 wherein the seller-provided information includes a specified time period for the auction.	<i>See Claim 148 supra.</i>
91. The method of claim 55 wherein the auction process program indicates an opening bid for an item offered for auction.	<i>See Claim 18 supra.</i>

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92. The method of claim 55 wherein the auction process program indicates a current bid for an item offered for auction.	<i>See Claim 55 [k] supra.</i>
93. The method of claim 55 wherein presenting the auction to the plurality of auction participants comprises displaying one or more of the following: a verbal description of the item offered for auction, a graphical depiction of the item offered for auction, or bid information relating to the item offered for auction.	<p><i>Nahan describes presenting item information to participants, including a textual description, categorical designations, high definition images, and an offer price.</i></p> <p>Nahan—2:64-3:2: "Original works of art are photographed with high resolution cameras, converted to digital images on computer controlled electronic scanning equipment, categorized by different criteria, and stored in a complex computer database along with information about the artist and artwork. The digital images and related data are available twenty four hours a day for virtually instantaneous transmission over the desired media, i.e. fiber optic cables to dealers who are part of a wide area network which extends around the world (the "Network")."</p>
94. The method of claim 55 wherein presenting the auction to the plurality of auction participants further comprises displaying advertisements to the plurality of users.	<i>See Claim 82 supra.</i>
95. The method of claim 94 wherein the displayed advertisements relate to items offered for auction.	<i>See Claim 82 supra.</i>
96. The method of claim 94 wherein the displayed advertisements relate to goods / services offered by a third party.	<i>See Claim 82 supra.</i>
97. The method of claim 55 wherein the computer system updates the display of the item's information each time a bid higher than the current bid is received.	<i>See Claim 55 [k] supra.</i>
98. The method of claim 55 further comprising obtaining an auction participant's assent to terms of sale before accepting bids from that auction participant.	<p><i>Although Nahan does not expressly describe obtaining assent to terms of a sale, it was well known in the auction arts that a bidder must be informed of the terms and rules governing an auction that he or she must assent to before bidding. In any other scenario, the bidder would have no way to know how or what to bid if they wished to purchase a particular item. It is inherent that such terms would be provided over the Internet in an Internet or web-based auction.</i></p> <p>rec.collecting.stamps—Exh. A, No. 21: "I'd love to bid but I don't collect Italy, perhaps next time. <u>But you need to explain your rules here.</u> What price would the winning bidder pay? Normally in a mail ("non-floor") auction, the highest bidder only pay one-step above the 2nd highest bidder's bid, as opposed to paying what he actually bids."</p>

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99. The method of claim 98 wherein the auction participant's assent is supplied via the Internet.	<i>See Claim 98 supra.</i>
190. The method of claim 55 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
191. The method of claim 55 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
192. The method of claim 55 wherein the received auction input comprises an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
193. The method of claim 55 wherein the received auction input consists of an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
194. The method of claim 55 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
195. The method of claim 55 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	<i>See Claim 148 supra.</i>
133. A computer-implemented method of facilitating Internet-based electronic auctions, the method comprising:	<i>See Claim 11 [a] supra.</i>
receiving information from a seller of an item to be auctioned, the information including	<i>See Claim 11 [b] supra.</i>
(i) information identifying the item to be auctioned and designating an item category selected by the seller from a list of item categories, and	<i>See Claim 11 [c] supra.</i>
(ii) input relating to scheduling an auction for the item;	<i>See Claim 11 [d] supra.</i>
storing at least a portion of the received information in a database of information relating to items to be auctioned;	<i>See Claim 43 [b] supra.</i>
mapping at least a portion of the received information stored in the database into a presentation format that includes the identifying information and the item category provided by the seller; displaying the presentation format to a plurality of buyers;	<i>See Claim 11 [e] supra.</i>
based at least in part on the received auction scheduling input, conducting an online auction	<i>See Claim 11 [f] supra.</i>

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'014 APP. CLAIMS	PRIOR ART
for the item including receiving bids on the item from one or more of the plurality of buyers; and terminating the online auction of the item based on a predetermined condition.	<i>See Claim 44 supra.</i>
134. The method of claim 133 further comprising notifying a winning buyer that a bid submitted by the winning buyer was a winning bid.	<i>See Claim 49 [f] supra.</i>
135. The method of claim 133 wherein the information received from the seller identifying the item to be auctioned includes at least one of an item title and an item description.	<i>See Claim 65 supra.</i>
136. The method of claim 135 wherein the item description includes an electronic image of the item.	<i>See Claim 65 supra.</i>
137. The method of claim 133 wherein receiving information from a seller further comprises receiving information designating an item subcategory selected by the seller from among a list of item subcategories.	<i>See Claim 11 [c] supra.</i>
138. The method of claim 133 wherein the predetermined condition based on which the online auction is terminated comprises an occurrence of an auction termination time.	<i>See Claim 44 supra.</i>
139. The method of claim 133 wherein receiving information from a seller further comprises receiving a reserve price for the item to be auctioned.	<i>See Claim 18 supra.</i>
140. The method of claim 139 wherein the predetermined condition based on which the online auction is terminated comprises an occurrence of the reserve price being met.	<i>See Claim 18 supra.</i>
141. The method of claim 134 wherein notifying the winning buyer comprises sending the winning buyer an e-mail message.	<i>See Claim 134 supra.</i>
142. The method of claim 133 further comprising notifying the seller of an outcome of the online auction.	<i>See Claim 134 supra.</i>
143. The method of claim 142 wherein notifying the seller comprises sending the seller an e-mail message.	<i>See Claim 134 supra.</i>
144. The method of claim 143 wherein the seller is notified of the winning buyer's identity.	<i>Nahan describes sellers shipping sold items to buyers. One skilled in the art would understand this disclosure to entail notifying the seller of the buyer's identity so the seller would</i>

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	<p><i>know to whom to ship the item.</i></p> <p>Nahan—4:22-26: “It also enables individual owners to offer their artwork for sale to a wide audience in a forum other than an auction, while allowing them to retain physical possession of such artwork until it is sold.”</p>
145. The method of claim 133 wherein receiving information from the seller of the item to be auctioned further comprises receiving input relating to an advertisement for the item.	<i>See Claim 82 supra.</i>
196. The method of claim 133 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
197. The method of claim 133 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
198. The method of claim 133 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
199. The method of claim 133 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
200. The method of claim 133 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
201. The method of claim 133 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	<i>See Claim 148 supra.</i>
210. The method of claim 133 wherein the predetermined condition is defined at least in part by the received auction scheduling input.	<i>See Claim 44 supra.</i>
146. A computer-implemented method of facilitating Internet-based electronic auctions, the method comprising:	<i>See Claim 11 [a] supra.</i>
receiving information via the Internet from sellers of items to be auctioned, each seller providing	<i>See Claim 11 [b] supra.</i>
(i) information describing an item to be auctioned and designating an item category and	<i>See Claim 11 [c] supra.</i>

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an item subcategory selected by the seller from a list of item categories and subcategories, and	
(ii) input relating to scheduling an auction for the item;	<i>See Claim 11 [d] supra.</i>
storing at least a portion of the received information in a database of information relating to items to be auctioned;	<i>See Claim 43 [b] supra.</i>
displaying the list of item categories and subcategories via the Internet to a plurality of potential buyers,	<i>See Claim 11 [e] supra.</i>
each potential buyer being able to browse the item categories and subcategories selectively to search for a desired item offered for auction; and	<i>See Claim 80 supra.</i>
for each item to be auctioned: (i) mapping the received information stored in the database corresponding to the item into a presentation format that includes the identifying information and the item category provided by the item's seller; (ii) displaying the presentation format to a plurality of buyers;	<i>See Claim 11 [e] supra.</i>
(iii) based at least in part of the received auction scheduling input, conducting an online auction for the item	<i>See Claim 11 [f] supra.</i>
including receiving bids on the item from one or more of the plurality of buyers; and	<i>See Claim 11 [g] supra.</i>
(iv) terminating the online auction of the item based on a predetermined condition.	<i>See Claim 21 [b] supra.</i>
202. The method of claim 146 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
203. The method of claim 146 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
204. The method of claim 146 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
205. The method of claim 146 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
206. The method of claim 146 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
207. The method of claim 146 wherein the	<i>See Claim 148 supra.</i>

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received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	
211. The method of claim 146 wherein the predetermined condition is defined at least in part by the received auction scheduling input.	<i>See Claim 44 supra.</i>
212. A computer-implemented method of facilitating Internet-based auctions, the method comprising:	<i>See Claim 11 [a] supra.</i>
receiving input from a seller of an item to be auctioned, the received input including an identification of the item to be auctioned and	<i>See Claim 11 [b] supra.</i>
input relating to scheduling an auction for the item; and	<i>See Claim 11 [d] supra.</i>
initiating an online auction for the item based at least in part on the auction scheduling input received from the seller.	<i>See Claim 11 [f] supra.</i>
213. The method of claim 212 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
214. The method of claim 212 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
215. The method of claim 212 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
216. The method of claim 212 wherein the received auction scheduling input consists of an indication to be started immediately.	<i>See Claim 150 supra.</i>
217. The method of claim 212 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
218. The method of claim 212 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	<i>See Claim 148 supra.</i>

Appendix IV

PROTEST UNDER 37 C.F.R. § 1.291(a)

U.S. Patent Application Serial No.: 09/253,014

APPENDIX IV

'014 App. Claims	Prior Art
<p>11. [a] A computer-implemented method for conducting auctions on the internet, the method comprising:</p>	<p><i>Lindsey</i>¹ discloses a computer-implemented method for conducting auctions:</p> <p>"It is to be understood, however, that the principles and concepts of the invention can be utilized in other environments, and are not thereby limited to commodities or the equipment shown. ... According to the preferred form of the invention, a program-controlled mainframe computer 10 is connected by a network 12 to remotely located cotton gins 9 and warehouses 11, each having respective computer terminals 14 and 16. While a single gin and warehouse are shown, many are typically used in such a trading system. The mainframe computer 10 is also connected through the same or other types of networks to commodity buyer terminals 18. Other on-premises computer terminals 20 are connected to the mainframe computer 10 to enter data by local operators." (3:40-55)</p> <p>"It should be noted that the commodity trading system 8 shown in Fig. 1 is a real-time operating system in which all remotely located terminals can communicate concurrently with the data base 25 of the mainframe computer 10." (4:24-28)</p> <p>"The buyers terminal 18 comprise PS/2, Model 50 personal computers which communicate through radio, satellite or other types of networks 46 to the mainframe computer 10." (4:36-40)</p> <p>"Buyers scan the system for lots offered by producers, make competitive blind bids, buy at a firm asking price or enter a counter offer bid." (28:48-51)</p> <p><i>Statements made by the BPAI during appeal of MercExchange's '820 application confirm that:</i></p> <p>"Lindsey discloses that the mainframe computer 10 is connected by a network 12 to remotely located gins and warehouses (col. 3, lines 45-47), and that mainframe computer 12 is also connected through the same or other types of networks to commodity buyer terminals (col. 3, lines 50-53). Buyers can communicate with the mainframe through radio, satellite or other types of networks (col. 4, lines 36-39). In addition, the system operates across 11, 000 miles of telephone lines (col. 35, line 55)." (Exh. S at 27-28)</p> <p>"From our review of Lindsey, we find that Lindsey discloses the use of an auction." (Exh. S at 30)</p> <p>"We are not persuaded by appellant's assertion (brief, page 23) that Lindsey does not disclose offering goods at any price, but rather uses price information as confirmation of an agreement made outside of the computer system. As stated, <u>supra</u>, because Lindsey discloses that buyers scan the system</p>

¹ The *Lindsey* patent is attached to this Protest as Exhibit A, No. 2.

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	<p>for lots offered and <u>buy</u> at a firm asking price, we find that Lindsey specifically discloses the buying and selling of goods on the system." (Exh. S at 13)</p> <p>"Specifically, Lindsey discloses allowing blind bidding on cotton for a period of 15 minutes. After the 15 minutes has passed, the computer closes the bidding and awards the cotton to the highest bidder, provided the price is equal to or above the predetermined minimum (reserve price) set by the producer (col. 31, line 51 through col. 32, line 2)." (Exh. S at 30-31)</p> <p>"Thus, Lindsey discloses receiving bids . . ." (Exh. S at 31)</p> <p><i>The Lindsey system utilizes buyer and seller terminals which communicate through radio, satellite or other types of networks to a mainframe computer. See Exhibit A, No. 2, Figure 1. While the internet and World-Wide-Web were not widely used at the time Lindsey was filed, Lindsey clearly contemplates that the system disclosed would change as the technology changed. Lindsey explains that reducing the reliance on telephone companies would achieve the goal of a more efficient operation:</i></p> <p>"Characteristic of the Factory quadrant, PCCA became , dependent on TELCOT, concentrating their efforts on its efficient operation. Because of the high strategic importance of TELCOT, operating problems because crises. Having to deal with 35 different telephone companies and the problems associated with older circuit switching equipment prevalent in rural areas meant that many of these crises involved telecommunication problems." (37:41-49).</p> <p><i>Lindsey then explains how data transmission problems were addressed by utilizing different types of communication technology:</i></p> <p>"Some of the most recent developments have greatly increased the effectiveness of the TELCOT system. To overcome the poor quality associated with data transmission over telephone lines in remote areas, one of these developments involves the use of data transmission via FM radio in the UHF band. This system was piloted last year and is now in place in over 100 of PCCA's 200 gins. Two-way satellite data transmission is also used by some of the gins that are in remote areas where neither leased lines nor FM radio waves are cost effective as a means of data transmission." (38:5-15).</p> <p><i>Finally, Lindsey notes that the system is continually enhanced to satisfy the needs of the buyers and sellers:</i></p> <p>"PCCA has continued to enhance the TELCOT system to satisfy the needs of the buyers, sellers, and gin operators.</p>

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	<p>Producers wanted more flexibility in marketing options, greater market information and guaranteed payment. Buyers wanted a more comprehensive description of the cotton offered, the ability to buy large volumes faster, to maintain a running tally of their purchases and guaranteed delivery of their cotton. TELCOT met both the buyer's and seller's needs. This legacy of innovation and creativity continues today as a satellite communication system has been installed at 7 gins and 2 buyer locations for data (and potentially voice) transmission. Two-way radio links recently have become economically attractive alternatives to leased telephone lines in some locations and are now being utilized at over 100 gin locations. Both of these approaches are more reliable and less expensive than leased analog lines. Also, personal computers have recently been integrated into the TELCOT communication system allowing farmers to conduct some transactions from their homes, if they desired." (39:39-59).</p> <p><i>Given the explicit suggestions in Lindsey to continually enhance the system to improve communications and the users' experience, one of ordinary skill would be motivated to combine the teachings of Lindsey with the Internet auction art such as Computer Museum ("The idea for putting The Computer Museum's auction on the Internet...") and Save the Earth ("All items are autographed and will be auctioned on the Internet...") to take advantage of the World Wide Web and its ability to better present and sell goods to users. Indeed, this would tap into a medium those skilled in the art had recognized had "tremendous" potential:</i></p> <p>"It opens all kinds of possibilities," Bell said.... Tenenbaum[, founder and CEO of an information technology R&D company,] agreed "I think the potential is tremendous for auctions on the Internet. It's a tremendously interesting business model." Exh. A, No. 6 (Computer Museum).</p>
<p>[b] receiving at a communication handler program executing on a host computer information from a seller corresponding to an item for auction, the information received from the seller including</p>	<p>"a gin clerk communicates via a terminal with a centralized data base pertinent data about the bale of cotton. The gin clerk enters into the centralized data base information that is unique to each bale, including a gin code identifying the particular gin, a gin tag identifying the particular bale, and data indicating whether or not the producer desires to assign either electronic title to the bale, or a warehouse receipt type of title." (2:26-33).</p> <p>"Each gin terminal 14 comprises an IBM PS/2 Model 70 personal computer with a telephone line modem (not shown) for communicating cotton bale data to a data base storage unit 25 of the mainframe computer 10." (4:5-9)</p> <p>"In the preferred form, such information is entered into the terminal 14 in a format according to a programmed screen menu. For each bale produced by the particular gin 9, such information is transmitted from the gin terminal 14, via the</p>

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'014 APP. CLAIMS	PRIOR ART
	<p>network 12, to the mainframe computer 10." (18:33-39)</p> <p>"At any time, the producer can display all of his lots of cotton with their quality characteristics and quoted market value. Producers and buyers can also see the lots that have recently sold, their quality characteristics, and the price per pound paid by the buyer for the lot." (30:66-31:2)</p> <p>"Where PCCA once bought almost all of its members' cotton, today it buys less than 30 percent. Rather than functioning only as a merchant, actively purchasing and selling cotton itself, TELCOT has put PCCA in the brokerage business." (28:61-65)</p> <p>"Also, personal computers have recently been integrated into the TELCOT communication system allowing farmers to conduct some transactions from their homes, if they desired." (39:56-59)</p>
<p>[c] (i) a designation of a category, selected from a list of categories, under which the item for auction is to be listed, and</p>	<p><i>Lindsey discloses the use of categories, such as types of title.</i></p> <p>"a gin clerk communicates via a terminal with a centralized data base pertinent data about the bale of cotton. The gin clerk enters into the centralized data base information that is unique to each bale, including a gin code identifying the particular gin, a gin tag identifying the particular bale, and data indicating whether or not the producer desires to assign either electronic title to the bale, or a warehouse receipt type of title." (2:26-33).</p>
<p>[d] (ii) input relating to scheduling an auction for the item;</p>	<p><i>In light of the disclosure that bidding is "closed," it is inherent that at some point the auction was scheduled/initiated.</i></p> <p>"The first feature provided by TELCOT was Regular Offer in which buyers bid on a blind basis for cotton entered into the TELCOT computer (analogous to floor trading of stocks). After 15 minutes, the computer closed the bidding and awarded the cotton to the highest bidder provided the price was equal to or above a predetermined minimum set by the producer." 31:51-32:2</p> <p><i>The "seller" could be the operator of the system:</i></p> <p>"Where PCCA once bought almost all of its members' cotton, today it buys less than 30 percent. Rather than functioning only as a merchant, actively purchasing and selling cotton itself, TELCOT has put PCCA in the brokerage business." (28:61-65)</p> <p><i>Alternatively, the "seller" could be a participant. The participant schedules an auction by indicating a subset of goods available for auction and displaying those goods on the system:</i></p> <p>"At any time, the producer can display all of his lots of cotton with their quality characteristics and quoted market value." (30:66-68)</p>

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	Claim 1: "receiving an indication by the computer system of the identity of a subset of the listing, the subset defining the goods desired to be sold by the seller"
[e] processing at least a portion of the received information into a presentation format by a database-to-presentation format formatting program, the presentation format including an indication of the category of the item for auction;	<p>"Buyers scan the system for lots offered by producers, make competitive blind bids, buy at a firm asking price or enter a counter offer bid." (28:48-51)</p> <p>"At any time, the producer can display all of his lots of cotton with their quality characteristics and quoted market value. Producers and buyers can also see the lots that have recently sold, their quality characteristics, and the price per pound paid by the buyer for the lot." (30:66-31:2)</p> <p>"TELCOT also allows the cotton buyer to specify only the cotton which he is interested in buying. Each buyer can establish his own individual criteria; e.g., to limit price, specify any quality limits, define warehouse and/or gin location, and crop-year parameters. TELCOT then displays only those lots that meet these criteria." (33:58-64)</p>
[f] based at least in part on the received auction scheduling input, conducting an auction for the item over the Internet by presenting the presentation format to a plurality of potential bidders;	See Claim 11 [d] <i>supra</i> .
[g] receiving at the host computer at least, one bid on the auctioned item from a bidder; and	<p>"Buyers scan the system for lots offered by producers, make competitive blind bids, buy at a firm asking price or enter a counter offer bid." (28:48-51)</p> <p>"TELCOT has put PCCA in the brokerage business. They now provide an efficient and effective means of executing transactions between all the major cotton buyers and sellers." (28:64-68)</p> <p>"The first feature provided by TELCOT was Regular Offer in which buyers bid on a blind basis for cotton entered into the TELCOT computer (analogous to floor trading of stocks). After 15 minutes, the computer closed the bidding and awarded the cotton to the highest bidder provided the price was equal to or above a predetermined minimum set by the producer." (31:51-32:2)</p> <p>"One of TELCOT's most recent innovations is the Automated Counter Offer program. This feature gives buyers a quick and documented means of countering Firm Offers. In this way, buyers unwilling to pay the Firm Offer price can notify gins and producers of the price if they are willing to pay for a particular lot of cotton already offered for sale. This provides producers with additional price discovery." (32:45-52)</p> <p>"Automated Counter Offer is also one of the most popular features for buyers because it often results in a transaction that otherwise would not have occurred. An Automated Counter Offer screen is shown in FIG. 2." (33:54-57)</p>

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'014 App. Claims	Prior Art
	<p><i>Statements made by the BPAI during appeal of MercExchange's '820 application confirm that:</i></p> <p>"From our review of Lindsey, we find that Lindsey discloses the use of an auction." (Exh. S at 30)</p> <p>"We are not persuaded by appellant's assertion (brief, page 23) that Lindsey does not disclose offering goods at any price, but rather uses price information as confirmation of an agreement made outside of the computer system. As stated, <u>supra</u>, because Lindsey discloses that buyers scan the system for lots offered and <u>buy</u> at a firm asking price, we find that Lindsey specifically discloses the buying and selling of goods on the system." (Exh. S at 13)</p> <p>"Specifically, Lindsey discloses allowing blind bidding on cotton for a period of 15 minutes. After the 15 minutes has passed, the computer closes the bidding and awards the cotton to the highest bidder, provided the price is equal to or above the predetermined minimum (reserve price) set by the producer (col. 31, line 51 through col. 32, line 2)." (Exh. S at 30-31)</p> <p>"Thus, Lindsey discloses receiving bids . . ." (Exh. S at 31)</p>
<p>[h] receiving at a host computer payment information from the bidder.</p>	<p><i>Lindsey discloses the receipt of payment information.</i></p> <p>"the use of drafts and wire transfers of funds prior to title transfer" (31:39-40)</p> <p>"An account authorization file 60 is maintained in the centralized computer data base 25. The account authorization file 60 includes information such as loan eligibility of a producer, and default producer payment information. As may be readily apparent to those skilled in the art, other data bases, files, fields, and information can be stored in the data base 25 to further enhance trading within the system. For example, in the event electronic funds transfer is implemented into the system 8, other files and data bases can be added for carrying out such enhanced activity." (6:58-68)</p> <p>"TELCOT has put PCCA in the brokerage business. They now provide an efficient and effective means of executing transactions between all the major cotton buyers and sellers." (28:64-68)</p> <p><i>Statements made by the BPAI during appeal of MercExchange's '820 application confirm that:</i></p> <p>"From our review of Lindsey, we find that Lindsey discloses (col. 6, lines 65-68) implementing the use of electronic fund transfer, and the use of 'drafts and wire transfers of funds prior to title transfer.' (col. 31, lines 39 and 40). From these teachings of Lindsey, we agree with the examiner (answer, page 22) that '[t]hose of ordinary skill in the art would have</p>

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'014 APP. CLAIMS	PRIOR ART
	<p>readily appreciated that electronic funds transfer in a trading system requires both the buyers and sellers have accounts and that the buyer's account be debited for the purchase made.' We find this to be supported by the disclosure in Lindsey that 'in the event electronic funds transfer is implemented into the system 8, other files and databases can be added for carrying out such enhanced activity.'" (Exh. S at 24-25)</p>
<p>12. The method of claim 11 further comprising: passing the received payment information from a host computer to an external clearinghouse; and receiving at a host computer a response from the external clearinghouse that payment has cleared.</p>	<p>"the use of drafts and wire transfers of funds prior to title transfer" (31:39-40)</p> <p>"If either owner or purchaser or both are financing their purchases of the commodity through a bank, then approval of this type of transaction may be required by the bank. In this event, a terminal similar to terminal 18 would be installed at the bank, and bank approval would be required by the mainframe computer 10 before the transaction could be completed." (24:26-32)</p> <p>"An account authorization file 60 is maintained in the centralized computer data base 25. The account authorization file 60 includes information such as loan eligibility of a producer, and default producer payment information. As may be readily apparent to those skilled in the art, other data bases, files, fields, and information can be stored in the data base 25 to further enhance trading within the system. For example, in the event electronic funds transfer is implemented into the system 8, other files and data bases can be added for carrying out such enhanced activity." (6:58-68)</p> <p><i>Statements made by the BPAI during appeal of MercExchange's '820 application confirm that:</i></p> <p>"From our review of Lindsey, we find that Lindsey discloses (col. 6, lines 65-68) implementing the use of electronic fund transfer, and the use of 'drafts and wire transfers of funds prior to title transfer.' (col. 31, lines 39 and 40). From these teachings of Lindsey, we agree with the examiner (answer, page 22) that '[t]hose of ordinary skill in the art would have readily appreciated that electronic funds transfer in a trading system requires both the buyers and sellers have accounts and that the buyer's account be debited for the purchase made.' We find this to be supported by the disclosure in Lindsey that 'in the event electronic funds transfer is implemented into the system 8, other files and databases can be added for carrying out such enhanced activity.'" (Exh. S at 24-25)</p>
<p>13. The method of claim 11 wherein the database-to-presentation formatting program comprises a database-to-worldwide web mapping module.</p>	<p><i>As discussed above in connection with Claim 11[a], Lindsey does not explicitly disclose the use of the worldwide web, but one of ordinary skill in the art would be motivated to combine the teachings of <u>Save the Earth</u> ("All items are autographed and will be auctioned on the Internet from April 22, through May 21, 1995 at</i></p>

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	<a)"="" href="http://www.commerce.com/save_earth.">http://www.commerce.com/save_earth.") with Lindsey.
14. The method of claim 11 further comprising: receiving payment information from the bidder via a worldwide web page server executing on the host computer.	See Claims 11 [h], 13 <i>supra</i> .
15. The method of claim 11 further comprising: processing the received payment information with a transaction processor to debit an account identified by the payment information.	<p>“the use of drafts and wire transfers of funds prior to title transfer” (31:39-40)</p> <p>“An account authorization file 60 is maintained in the centralized computer data base 25. The account authorization file 60 includes information such as loan eligibility of a producer, and default producer payment information. As may be readily apparent to those skilled in the art, other data bases, files, fields, and information can be stored in the data base 25 to further enhance trading within the system. For example, in the event electronic funds transfer is implemented into the system 8, other files and data bases can be added for carrying out such enhanced activity.” (6:58-68)</p> <p>“TELCOT has put PCCA in the brokerage business. They now provide an efficient and effective means of executing transactions between all the major cotton buyers and sellers.” (28:64-68)</p> <p><i>Statements made by the BPAI during appeal of MercExchange’s ‘820 application confirm that:</i></p> <p>“From our review of Lindsey, we find that Lindsey discloses (col. 6, lines 65-68) implementing the use of electronic fund transfer, and the use of ‘drafts and wire transfers of funds prior to title transfer.’ (col. 31, lines 39 and 40). From these teachings of Lindsey, we agree with the examiner (answer, page 22) that ‘[t]hose of ordinary skill in the art would have readily appreciated that electronic funds transfer in a trading system requires both the buyers and sellers have accounts and that the buyer’s account be debited for the purchase made.’ We find this to be supported by the disclosure in Lindsey that ‘in the event electronic funds transfer is implemented into the system 8, other files and databases can be added for carrying out such enhanced activity.’” (Exh. S at 24-25)</p>
16. The method of claim 11 further comprising: associating the payment information with the bid received from the bidder.	<p><i>Once a buyer indicates a desire to look for items for sale, the buyer is presented with a menu indicating information needed to complete a transaction.</i></p> <p>“Also, in response to such a request, a menu appears on the buyer’s terminal screen indicating information to input to complete a transaction for purchasing one or more bales of cotton, or a block of bales.” (22:28-31)</p>

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'014 APP. CLAIMS	PRIOR ART
	<p><i>Such information would naturally include payment information. While Lindsey is not explicit that the information is sent with each bid, it would have been obvious to one of skill in the art to receive and verify credit card information with each bid, as such verification would enhance Lindsey's guarantee of all transactions and ensuring payment within 24 hours.</i></p>
<p>17. The method of claim 11 wherein the payment information identifies a credit card account.</p>	<p><i>Lindsey expressly describes the auction system's desire to "guarantee all transactions" and make sure the sellers receive their funds within 24 hours. (31:32-35). Although Lindsey does not expressly describe credit card transactions, as explained in section II. F. of this Protest, one skilled in the art would have been motivated to utilize any one of a number of forms of electronic payment (e.g., credit card processing, funds transfer, credit/debit accounts, clearinghouses, e-money) in an electronic auction. As the '014 application correctly concedes, each of these techniques was "well known" by skilled artisans who "understood" how to incorporate any of them in an electronic auction.</i></p>
<p>18. The method of claim 11 wherein the information received from the seller includes a price for the auction item.</p>	<p><i>"The first feature provided by TELCOT was Regular Offer in which buyers bid on a blind basis for cotton entered into the TELCOT computer (analogous to floor trading of stocks). After 15 minutes, the computer closed the bidding and awarded the cotton to the highest bidder provided the price was equal to or above a <u>predetermined minimum set by the producer.</u>" (31:51-32:2)</i></p> <p><i>"One of TELCOT's most recent innovations is the Automated Counter Offer program. This feature gives buyers a quick and documented means of countering Firm Offers. In this way, buyers unwilling to pay the Firm Offer price can notify gins and producers of the price if they are willing to pay for a particular lot of cotton already offered for sale. This provides producers with additional price discovery." (32:45-52)</i></p>
<p>19. The method of claim 11 wherein the presentation format comprises a hypertext markup language format.</p>	<p><i>See Claim 13 supra.</i></p>
<p>147. The method of claim 11 or 26 wherein the communication handler program comprises a Unix daemon.</p>	<p><i>Lindsey's online auctions necessarily used a "communication handler program" to enable transmission of data online to and from auction participants. Although Lindsey does not expressly teach using a "UNIX Daemon," a "daemon" is simply a software communications program that performs predetermined operations in response to a particular input. Daemons and the UNIX operating system were commonly used and well known in the art.</i></p> <p>---- SECONDARY REFERENCES / KNOWLEDGE IN THE ART ----</p>

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	<p><i>Computer Museum—Exh. A, No. 6:</i> “An EIT developer, Eric Rescorla, implemented the auction application using the company’s ServiceMail public domain toolkit, Tenenbaum said. ServiceMail transforms <i>UNIX</i> applications into network service via E-mail, he said.”</p> <p>http://www.webopedia.com/TERM/d/daemon.html²</p> <p>“<i>daemon</i>: A process that runs in the background and performs a specified operation at predefined times or in response to certain events. The term <i>daemon</i> is a UNIX term, though many other operating systems provide support for daemons ... Typical daemon processes include print spoolers, e-mail handlers, and other programs that perform administrative tasks for the operating system.”</p>
148. The method of claim 11 wherein the received auction scheduling input relates to an auction duration.	<p><i>As explained in connection with Claim 11[d] above, scheduling information was received from the seller. The default duration was 15 minutes, but it is inherent that a different duration could be requested. See, e.g., Lindsey at 32:11-13 (“The offer “good ‘til cancelled” remains outstanding until a buyer purchases the lot or it is withdrawn by the producer.”)</i></p>
149. The method of claim 11 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	<p><i>See Claim 148 supra.</i></p>
150. The method of claim 11 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.	<p>“At any time, the producer can display all of his lots of cotton with their quality characteristics and quoted market value.” (30:66-68)</p> <p>Claim 1: “receiving an indication by the computer system of the identity of a subset of the listing, the subset defining the goods desired to be sold by the seller”</p>
151. The method of claim 11 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.	<p><i>See Claim 150 supra.</i></p>
152. The method of claim 11 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<p><i>See Claim 150 supra.</i></p>
153. The method of claim 11 wherein the received auction scheduling input comprises an	<p><i>As shown with respect to claim 150 supra, and exemplified in claim 1 of the Lindsey patent, data for all of a producer’s</i></p>

² Attached to this Protest as Exhibit A, No. 16.

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indication that the auction is to be initiated at a future time.	<i>goods are stored in a database. The producer can then schedule an auction of a subset of his goods by identifying such subset and making them available for sale immediately. By not choosing a subset of goods, the producer is inherently scheduling those goods for a future auction.</i>
20. [a] A computer-implemented method of conducting auctions on the internet, the method comprising:	<i>See Claim 11 [a] supra.</i>
[b] receiving information about an item to be auctioned, the received information including	<i>See Claim 11 [b] supra.</i>
[c] (i) a designation of a category, selected from a list of categories, under which the item is to be auctioned, and	<i>See Claim 11 [c] supra.</i>
[d] (ii) input relating to scheduling an auction for the item;	<i>See Claim 11 [d] supra.</i>
[e] generating a tracking identifier to identify the item to be auctioned;	<p><i>"a gin clerk communicates via a terminal with a centralized data base pertinent data about the bale of cotton. The gin clerk enters into the centralized data base information that is unique to each bale, including a gin code identifying the particular gin, a gin tag identifying the particular bale, and data indicating whether or not the producer desires to assign either electronic title to the bale, or a warehouse receipt type of title." (2:26-33).</i></p> <p><i>"Once baled, a ticket is affixed to each bale, such ticket including a gin code defining the particular gin, and a gin tag which identifies the bale itself. The tickets are individualized as to number so that each cotton bale is unique." (17:65-69).</i></p> <p><i>"The gin tag which provides a unique identification to the bale is only temporary, as a permanent identification is associated therewith at the warehouse 11." 18:42-45.</i></p> <p><i>"Also, attached to each bale at the warehouse site is another ticket indicating the warehouse code, identifying the particular warehouse where the bale is stored, and a warehouse tag which includes a number that makes the bale unique with respect to any other bale." 18:52-56.</i></p>
[f] processing at least a portion of the received information to create a presentation format corresponding to the item to be auctioned, the presentation format including an indication of the category of the item to be auctioned;	<i>See Claim 11 [e] supra.</i>
[g] based at least in part on the received auction scheduling input, conducting an auction for the item over the Internet by presenting the presentation format to a plurality of internet participants;	<i>See Claim 11 [f] supra.</i>
[h] receiving at least one bid for the item from at least one internet participant;	<i>See Claim 11 [g] supra.</i>
[i] providing to the internet participant instructions for sending payment information to pay for the auctioned item.	<i>"Lastly, a producer payment file 62 is maintained in the data base 25. The producer payment file 62 includes data relative to those producers who authorize their cotton to be traded by or within the system 8. The file 62 includes data for each</i>

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	<p>producer relating to the payment received, payment instructions, payment information, etc.” (7:1-7)</p> <p>“An ETS buyer is invoiced by the mainframe computer 10 activating the printer 23 to produce a paper invoice for mailing to the buyer.” (23:32-34).</p>
21. [a] The method of claim 20 wherein conducting an auction for the item comprises opening an auction process to participants on the internet; and	See Claim 11 [a] <i>supra</i> .
[b] further comprising automatically closing the auction process to the internet participants based on a predetermined condition.	<p><i>Lindsey closed auction processes to participants after a predetermined period of time. Indeed, all auctions are closed based on a predetermined condition, be it reaching an end time, passage of a period of time without a higher bid, the seller's acceptance of a bid, or reaching a particular price.</i></p> <p><i>Although Lindsey's auction participants did not communicate over the Internet, it would have been obvious to implement Lindsey's teachings over the Internet as explained above in connection with claim 11, element [a] above.</i></p> <p>“The first feature provided by TELCOT was Regular Offer in which buyers bid on a blind basis for cotton entered into the TELCOT computer (analogous to floor trading of stocks). After 15 minutes, the computer closed the bidding and awarded the cotton to the highest bidder provided the price was equal to or above a predetermined minimum set by the producer.” (31:51-32:2)</p>
22. The method of claim 20 further comprising: receiving the bid for the auctioned item via a world wide web page server interface.	See Claim 13 <i>supra</i> .
23. The method of claim 20 further comprising: receiving payment information from the participant, the payment information being associated with the bid.	See Claim 16 <i>supra</i> .
24. The method of claim 20 further comprising: receiving from the participant payment information identifying a credit card account,	See Claim 17 <i>supra</i> .
passing the credit card account information to a clearinghouse and receiving authorization from the clearinghouse that payment with the credit card has cleared.	<p><i>Lindsey expressly describes the auction system's desire to "guarantee all transactions" and make sure the sellers receive their funds within 24 hours (31:32-35), and receiving authorization from an external clearinghouse bank that payment was approved and had cleared. Although Lindsey does not expressly describe credit card transactions, as explained in section II. F. of this Protest, one skilled in the art would have been motivated to utilize any one of a number of forms of electronic payment (e.g., credit card processing, funds transfer, credit/debit accounts, clearinghouses, e-</i></p>

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	<p>money) in an electronic auction. As the '014 application correctly concedes, each of these techniques was "well known" by skilled artisans who "understood" how to incorporate any of them in an electronic auction. Indeed, Lindsey expressly contemplates the integration of various forms of electronic funds transfer to process payment.</p> <p>Moreover, processing credit card payment inherently involves passing the credit card account information to an external credit card clearinghouse to receive authorization to charge that account for the requested funds.</p> <p>"If either owner or purchaser or both are financing their purchases of the commodity through a bank, then approval of this type of transaction may be required by the bank. In this event, a terminal similar to terminal 18 would be installed at the bank, and bank approval would be required by the mainframe computer 10 before the transaction could be completed." (24:26-32)</p> <p>"An account authorization file 60 is maintained in the centralized computer data base 25. The account authorization file 60 includes information such as loan eligibility of a producer, and default producer payment information. As may be readily apparent to those skilled in the art, other data bases, files, fields, and information can be stored in the data base 25 to further enhance trading within the system. For example, in the event electronic funds transfer is implemented into the system 8, other files and data bases can be added for carrying out such enhanced activity." (6:58-68)</p> <p><i>Statements made by the BPAI during appeal of MercExchange's '820 application confirm that:</i></p> <p>"From our review of Lindsey, we find that Lindsey discloses (col. 6, lines 65-68) implementing the use of electronic fund transfer, and the use of 'drafts and wire transfers of funds prior to title transfer.' (col. 31, lines 39 and 40). From these teachings of Lindsey, we agree with the examiner (answer, page 22) that '[t]hose of ordinary skill in the art would have readily appreciated that electronic funds transfer in a trading system requires both the buyers and sellers have accounts and that the buyer's account be debited for the purchase made.' We find this to be supported by the disclosure in Lindsey that 'in the event electronic funds transfer is implemented into the system 8, other files and databases can be added for carrying out such enhanced activity.'" (Exh. S at 24-25)</p>
25. [a] The method of claim 20 further comprising: receiving payment information from the participant,	See Claim 11 [h] <i>supra</i> .
[b] clearing the payment information, and	"the use of drafts and wire transfers of funds prior to title

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	<p>transfer" (31:39-40)</p> <p>"If either owner or purchaser or both are financing their purchases of the commodity through a bank, then approval of this type of transaction may be required by the bank. In this event, a terminal similar to terminal 18 would be installed at the bank, and bank approval would be required by the mainframe computer 10 before the transaction could be completed." (24:26-32)</p> <p>"An account authorization file 60 is maintained in the centralized computer data base 25. The account authorization file 60 includes information such as loan eligibility of a producer, and default producer payment information. As may be readily apparent to those skilled in the art, other data bases, files, fields, and information can be stored in the data base 25 to further enhance trading within the system. For example, in the event electronic funds transfer is implemented into the system 8, other files and data bases can be added for carrying out such enhanced activity." (6:58-68)</p> <p>"TELCOT has put PCCA in the brokerage business. They now provide an efficient and effective means of executing transactions between all the major cotton buyers and sellers." (28:64-68)</p> <p><i>Statements made by the BPAI during appeal of MercExchange's '820 application confirm that:</i></p> <p>"From our review of Lindsey, we find that Lindsey discloses (col. 6, lines 65-68) implementing the use of electronic fund transfer, and the use of 'drafts and wire transfers of funds prior to title transfer.' (col. 31, lines 39 and 40). From these teachings of Lindsey, we agree with the examiner (answer, page 22) that '[t]hose of ordinary skill in the art would have readily appreciated that electronic funds transfer in a trading system requires both the buyers and sellers have accounts and that the buyer's account be debited for the purchase made.' We find this to be supported by the disclosure in Lindsey that 'in the event electronic funds transfer is implemented into the system 8, other files and databases can be added for carrying out such enhanced activity.'" (Exh. S at 24-25)</p>
[c] transferring legal ownership of the item to the participant.	<p>See Table (Col. 11) – "07 Transfer-Owner-Info"</p> <p>"When the owner receives the funds, he again uses his terminal 18 to indicate that fact (block 214). The mainframe computer program then changes the owner's name in the warehouse master file 56 to that of the purchaser (block 216). Once the new owner's name is registered, the "pending payment" status is removed, as shown in program flow block 218. A record is added to audit file 58 to indicate that an owner transfer (owner XFER) has occurred, and the old</p>

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	owner name is changed to the new owner (block 220).” (24:8-18) “They ensure that the farmers receives his money and that the buyer gets clear title to the cotton promptly, normally within 24 hours. ... [T]he use of drafts and wire transfers of funds prior to title transfer have eliminated most of the problems associated with cotton transactions.” (31:33-42)
154. The method of claim 20 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
155. The method of claim 20 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
156. The method of claim 20 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
157. The method of claim 20 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
158. The method of claim 20 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
159. The method of claim 20 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	<i>See Claim 153 supra.</i>
208. The method of claim 21 wherein the predetermined condition is defined at least in part by the received auction scheduling input.	“The first feature provided by TELCOT was Regular Offer in which buyers bid on a blind basis for cotton entered into the TELCOT computer (analogous to floor trading of stocks). After 15 minutes, the computer closed the bidding and awarded the cotton to the highest bidder provided the price was equal to or above a predetermined minimum set by the producer.” (31:51-32:2)
33. A system for conducting auctions on the internet, the system comprising:	<i>See Claim 11 [a] supra.</i>
an auction item presentation means for presenting items for auction-to-auction participants connected via the internet, the auction item presentation means presenting	<i>See Claim 11 [e] supra.</i>

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items for auction arranged into item categories, each item for auction being associated with an item category designated by a seller of the item to be auctioned;	<i>See Claim 11 [c] supra.</i>
an auction process means for executing an auction process for the item based at least in part on scheduling input received from the seller;	<i>See Claim 11 [f] supra.</i>
an auction bid recipient means for receiving, during the auction process, at least one bid for an item being presented by the auction item presentation means; and	<i>See Claim 11 [g] supra.</i>
payment recipient means for receiving payment information from a bidding participant,	<i>See Claim 11 [h] supra.</i>
the payment information corresponding to the item for which the bid was received.	<i>See Claim 16 supra.</i>
34. The system of claim 33 further comprising payment verification means for passing received payment information to an external clearinghouse for verification.	<i>See Claim 12 supra.</i>
35. The system of claim 33 wherein the auction item presentation means comprises a database-to-presentation formatting program for mapping information from a database into a worldwide web format.	<i>See Claim 13 supra.</i>
36. The system of claim 33 further comprising: a transaction processor to debit an account identified by the payment information if the received bid is approved.	<i>See Claim 15 supra.</i>
37. The system of claim 33 wherein the received payment information identifies a credit card.	<i>See Claim 17 supra.</i>
38. The system of claim 36 wherein the payment information identifies a credit card and	<i>See Claim 17 supra.</i>
wherein the transaction processor charges the credit card for the payment associated with the approved bid.	<i>See Claim 15 supra.</i>
39. The system of claim 33 wherein the auction item presentation means presents the auction item information as a markup language page.	<i>See Claim 13 supra.</i>
160. The system of claim 33 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
161. The system of claim 33 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>

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162. The system of claim 33 wherein the received scheduling input comprises an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
163. The system of claim 33 wherein the received scheduling input consists of an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
164. The system of claim 33 wherein the received scheduling input comprises an indication that the auction process is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
165. The system of claim 33 wherein the received scheduling input comprises an indication that the auction process is to be initiated at a future time.	<i>See Claim 153 supra.</i>
40. [a] An auction participant system for enabling participation in an online auction conducted over a packet-switched network, the auction participants including sellers of items to be auctioned and bidders on the items to be auctioned, the system comprising:	<p><i>See Claim 11 [a] supra.</i></p> <p><i>The Internet and web-based auctions described in Computer Museum and Save the Earth were inherently conducted over a "packet-switched network."</i></p> <p><i>See http://computer.howstuffworks.com/router.htm/printable.³ ("Internet data, whether in the form of a Web page, a downloaded file or an e-mail message, travels over a system known as a packet-switching network.")</i></p>
[b] an auction item receiving means for receiving a page of information including one or more items available for auction,	<i>See Claim 11 [b] supra.</i>
[c] the received page of information including a designation of item categories with which the items for auction are associated, each seller designating an item category for that seller's item to be auctioned;	<i>See Claim 11 [c] supra.</i>
[d] an auction process means for executing an auction process corresponding to the item based at least in part on scheduling input received from the seller;	<i>See Claim 11 [f] supra.</i>
[e] an auction bid input means for inputting a bid for at least one of the items presented in the received page and for inputting payment information associated with the bid; and	<i>See Claim 11 [g, h] supra.</i>
[f] bid transmission means for transmitting the bid and payment information via the packet-switched network to a remote bid processor system.	<i>See Claim 11 [g] supra.</i>
41. The system of claim 40 wherein the received page comprises a markup language page	<i>See Claim 13 supra.</i>

³ Attached to this Protest as Exhibit A, No. 17.

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and wherein the auction item receiving means comprises a web browser connected via the internet to a server at the remote bid processor system.	
42. The system of claim 40 wherein the payment information identifies a credit card provided by the auction participant to pay for the item in the amount of the bid.	<i>See Claim 17 supra.</i>
166. The system of claim 40 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
167. The system of claim 40 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
168. The system of claim 40 wherein the received scheduling input comprises an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
169. The system of claim 40 wherein the received scheduling input consists of an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
170. The system of claim 40 wherein the received scheduling input comprises an indication that the auction process is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
171. The system of claim 40 wherein the received scheduling input comprises an indication that the auction process is to be initiated at a future time.	<i>See Claim 153 supra.</i>
43. [a] A system for auctioning a uniquely identified item over a packet-switched network, the system comprising:	<i>See Claim 40 supra.</i>
[b] a database of data records, each data record relating to an item and comprising an identifier to uniquely identify the item and	<p>“a gin clerk communicates via a terminal with a centralized data base pertinent data about the bale of cotton. The gin clerk enters into the centralized data base information that is unique to each bale, including a gin code identifying the particular gin, a gin tag identifying the particular bale, and data indicating whether or not the producer desires to assign either electronic title to the bale, or a warehouse receipt type of title.” (2:26-33).</p> <p>“A bale master file 49 is also created to particularly identify each bale which is or can be traded in the system 8. The bale master file 49 includes data such as the warehouse code, warehouse tag, quality information, owner account number, bale status, storage date, etc.” (5:63-68)</p>

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	<p>“Programmed and maintained within the centralized data base 25 for each bale is a receiving file 50. The receiving file 50 includes information unique to each cotton bale, as well as other information transmitted from the warehouse terminals 16 via the network 12 to the mainframe computer 10.” (6:1-6).</p> <p>“As noted above, in carrying out a transaction with respect to each bale of cotton, a record is generated or updated, which record has numerous fields identifying various aspects with respect to either the bale, the owner, the transaction, etc. The Table shown below identifies the various fields of a warehouse master file record as they relate to a particular cotton bale.” (7:8-14)</p> <p>See Table “COBOL File Descriptor – Warehouse Master File” (col. 7-18) for description of data record</p>
[c] an item category, designated by a seller of the item, under which the item is to be offered for auction;	See Claim 11 [c] <i>supra</i> .
[d] an auction system, accessible by a plurality of participants via the packet-switched network, that presents an item for auction by providing a mark-up language page of information corresponding to an item that is available for auction during a specified time, the mark-up language page of information including an indication of the item’s category;	See Claim 11 [e] <i>supra</i> .
[e] wherein the auction system executes an auction process corresponding to the item based at least in part on scheduling input received from the seller of the item,	See Claim 11 [f] <i>supra</i> .
[f] receives bids from one or more of the participants over the packet-switched network and	See Claim 11 [g] <i>supra</i> .
[g] terminates the auction when one or more predetermined criteria are satisfied; and	See Claim 21 [b] <i>supra</i> .
[h] wherein the auction system transmits to a selected auction participant information about where the selected auction participant should submit payment information for the auctioned item.	See Claim 20 [i] <i>supra</i> .
44. The system of claim 43 wherein the auction system refuses to accept bids after the one or more predetermined criteria have been satisfied.	See Claim 21 [b] <i>supra</i> .
45. The system of claim 43 wherein the auction system comprises a web page server interface for receiving bids from auction participants connected to the auction system via the world wide web.	See Claim 13 <i>supra</i> .
46. The system of claim 43 wherein the auction system receives payment information with each bid.	See Claim 16 <i>supra</i> .

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47. The system of claim 46 wherein the auction system receives payment information identifying a credit card account, and transmits the credit card account information to a remote verification system before processing the bid.	<i>See Claim 24 supra.</i>
48. The system of claim 47 wherein the auction system selects a bid based on the one or more predetermined criteria,	<i>See Claim 44 supra.</i>
processes the credit card account for the amount of the bid, and	<i>See Claim 24 supra.</i>
transfers legal ownership of the item to the participant that submitted the bid.	<i>See Claim 25 [c] supra.</i>
172. The system of claim 43 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
173. The system of claim 43 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
174. The system of claim 43 wherein the received scheduling input comprises an indication that the auction process is to be started immediately.	<i>See Claim 150 supra.</i>
175. The system of claim 43 wherein the received scheduling input consists of an indication that the auction to be started immediately.	<i>See Claim 150 supra.</i>
176. The system of claim 43 wherein the received scheduling input comprises an indication that the auction process is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
177. The system of claim 43 wherein the received scheduling input comprises an indication that the auction process is to be initiated at a future time.	<i>See Claim 153 supra.</i>
189. The system of claim 43 wherein the received scheduling input comprises an indication that the auction process to be initiated at a future time.	<i>This claim is identical to claim 177.</i>
209. The system of claim 43 wherein the one or more predetermined criteria are defined at least in part by the received scheduling input.	<i>See Claim 44 supra.</i>
49. [a] An auction participation system, in communication with an auction processor that processes bids for items being auctioned, for enabling participation in an online auction over a	<i>See Claim 40 supra.</i>

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packet-switched network the auction participation system comprising:	
[b] an auction page recipient means that receives from a server at the auction processor a page containing information about at least one item being auctioned, the received page including	<i>See Claim 11 [b] supra.</i>
[c] a designation of an item category with which the at least one item being auctioned is associated, the item category being specified by a seller of the item;	<i>See Claim 11 [c] supra.</i>
[d] an auction process means for conducting an internet-based auction of the item based at least in part on scheduling input received from the seller of the item;	<i>See Claim 11 [f] supra.</i>
[e] bid input means for enabling a participant to input a bid for submission to the auction processor via the packet-switched network;	<i>See Claim 11 [g] supra.</i>
[f] bid award receiving means for receiving an indication that the bid was awarded to the participant; and	<p>“An ETS buyer is invoiced by the mainframe computer 10 activating the printer 23 to produce a paper invoice for mailing to the buyer.” (23:32-34).</p> <p>“The purchaser enters “/BBV” and the sale number on this terminal 18, and the warehouse code and tag of the selected bales are displayed on his screen. By looking at the bales listed on the screen (block 206), the purchaser can verify that the selected bales are in fact the ones that he has agreed to buy, and that the price is as agreed.” (23:63-24:1)</p> <p>“C/OFFER STATUS--Several status states are possible including ACTIVE (offer is open); VOID (offer has been withdrawn by the buyer); ACCEPT offer has been accepted); WORKING (gin acknowledges receipt of the Counter Offer and is attempting to locate the producer for consideration).” (34:63-68)</p>
[g] payment information input means for enabling the participant to input payment information in response to receiving a bid award.	<i>See Claim 11 [h] supra.</i>
50. The system of claim 49 wherein the auction page receiving means comprises a web browser system that accesses a server at the auction processor to receive the page.	<i>See Claim 13 supra.</i>
51. The system of claim 49, wherein the auction participation system receives payment information with each bid.	<i>See Claim 16 supra.</i>
52. The system of claim 51 wherein the auction participation system receives payment information identifying a credit card account and transmits the credit card account information to a verification system before processing the bid.	<i>See Claim 24 supra.</i>

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53. The system of claim 52 wherein the auction participation system selects a bid based on one or more predetermined criteria,	<i>See Claim 44 supra.</i>
processes the credit card account for the amount of the bid and	<i>See Claim 24 supra.</i>
transfers legal ownership of the item to the participant that submitted the bid.	<i>See Claim 25 [c] supra.</i>
178. The system of claim 49 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
179. The system of claim 49 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
180. The system of claim 49 wherein the received scheduling input comprises an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
181. The system of claim 49 wherein the received scheduling input consists of an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
182. The system of claim 49 wherein the received scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
183. The system of claim 49 wherein the received scheduling input comprises an indication that the auction is to be initiated at a future	<i>See Claim 153 supra.</i>
54. A system for facilitating commerce at an internet-based auction, the system comprising:	<i>See Claim 11 [a] supra.</i>
auction item receiving means for receiving from one or more auction participants information regarding an item to be posted for an auction,	<i>See Claim 11 [b] supra.</i>
the received information including a designation of a category, selected from a list of categories, under which the item is to be auctioned;	<i>See Claim 11 [c] supra.</i>
auction processor means for processing information received by the auction item receiving means and presenting the processed information in a format to be transmitted to auction participants over a packet-switched network, the format including an indication of the category of the item to be auctioned,	<i>See Claim 11 [e] supra.</i>
the auction processor means including an auction process means for executing an auction process for the item based at least in part on scheduling input received from the seller of the item; and	<i>See Claim 11 [f] supra.</i>

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bid receiving means for receiving bids for the item presented to auction participants.	See Claim 11 [g] <i>supra</i> .
184. The system of claim 54 wherein the received auction scheduling input relates to an auction duration.	See Claim 148 <i>supra</i> .
185. The system of claim 54 wherein the received scheduling input relates to one or both of an auction starting time and an auction ending time.	See Claim 148 <i>supra</i> .
186. The system of claim 54 wherein the received scheduling input comprises an indication that the auction process is to be started immediately.	See Claim 150 <i>supra</i> .
187. The system of claim 54 wherein the received input consists of an indication that the auction process is to be started immediately.	See Claim 150 <i>supra</i> .
188. The system of claim 54 wherein the received scheduling input comprises an indication that the auction process to be invoked by the seller manually.	See Claim 150 <i>supra</i> .
55. [a] A computer-implemented method of facilitating internet auctions, the method comprising:	See Claim 11 [a] <i>supra</i> .
[b] receiving information from a seller including (i) information about an item to be auctioned at a computer system programmed to receive information over a communication network, and	See Claim 11 [b] <i>supra</i> .
[c] (ii) input relating to scheduling an auction for the item,	See Claim 11 [d] <i>supra</i> .
[d] the auction item information including a selection of a predetermined category, the predetermined category selected by the seller from a predetermined list of categories maintained by the computer system;	See Claim 11 [c] <i>supra</i> .
[e] based on at least a portion of the information received from a seller, generating a unique item identifier by a program executing on the computer system;	See Claim 20 [e] <i>supra</i> .
[f] notifying the seller of the unique item identifier generated in response to receiving information about the item to be auctioned;	"A menu screen is presented showing bales which are owned by him (block 202). This information is obtained by the mainframe computer 10 from the warehouse master file 56." (23:54-57) Fig. 2
[g] based at least in part on the received auction scheduling input, auctioning the item at the computer system with an auction process	See Claim 11 [f] <i>supra</i> .

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program,	
[h] the auction process program indicating the predetermined category selected by the seller and identifying the item to be auctioned;	<i>See Claim 11 [e] supra.</i>
[i] presenting the auction to a plurality of auction participants via a computer network in response to a request to display information about the item to be auctioned, the request to display the item's information being processed by a computer program executing on the computer system; and	<p>"The gin clerk can list a lot or query the system for them." (31:5-6)</p> <p>"TELCOT also allows the cotton buyer to specify only the cotton which he is interested in buying. Each buyer can establish his own individual criteria; e.g., to limit price, specify and quality limits, define warehouse and/or gin location, and crop-year parameters. TELCOT then displays only those lots that meet these criteria." (33:58-64)</p> <p><i>Statements made by the BPAI during appeal of MercExchange's '820 application confirm that:</i></p> <p>"[Lindsey] discloses (col. 4, lines 52-55) that the invention provides coordinated interaction between the various gins, warehouses and buyers to achieve an effective and efficient cotton trading program, and that (col. 30, line 66 through col. 31, line 11) a producer can display all of his lots of cotton with their quality characteristics and quoted market value. Some farmers access the system using their own PCs, while others go to the gin where public PCs are available. The gin clerk can list a lot or query the system for them. At any time, there are approximately 40 buyers on the system. From this disclosure of Lindsey, we find that a prospective buyer can search the system for items to be purchased." (Exh. S at 10-11)</p>
[j] receiving at the computer system at least one bid on the item being auctioned,	<i>See Claim 11 [g] supra.</i>
[k] the computer system updating a display of the item's information in response to receipt of the at least one bid.	Fig 2 (Col. 33-34): Buyer Counter Offer Maintenance Screen
64. The method of claim 55 wherein the information received from a seller further comprises an item subcategory, selected by the seller from a list of item subcategories, under which the item is to be offered for auction.	<i>See Claim 11 [c] supra.</i>
65. The method of claim 55 wherein the information received from a seller comprises a verbal description of the item or a graphical depiction of the item or both.	<p><i>Lindsey discloses the receipt of a description of the item to be sold. While Lindsey does not explicitly describe the receipt of a graphical depiction, it would be obvious to include such information if the item being sold is a non-commodity. See Lindsey 3:40-43 ("It is to be understood however, that the principles and concepts of the invention can be utilized in other environments and are not thereby limited to commodities or to the equipment shown.").</i></p> <p><i>"a gin clerk communicates via a terminal with a centralized data base pertinent data about the bale of cotton. The gin clerk enters into the centralized data base information that is</i></p>

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	<p><i>unique to each bale</i>, including a gin code identifying the particular gin, a gin tag identifying the particular bale, and data indicating whether or not the producer desires to assign either electronic title to the bale, or a warehouse receipt type of title." (2:26-33).</p> <p>"At any time, the producer can display all of his lots of cotton with their quality characteristics and quoted market value. Producers and buyers can also see the lots that have recently sold, their quality characteristics, and the price per pound paid by the buyer for the lot." (30:66-31:2)</p> <p>"Producers wanted more flexibility in marketing options, greater market information and guaranteed payment. Buyers wanted a <u>more comprehensive description of the cotton</u> offered, the ability to buy large volumes faster, to maintain a running tally of their purchases and guaranteed delivery of their cotton. TELCOT met both the buyer's and seller's needs. This legacy of innovation and creativity continues today as a satellite communication system has been installed at 7 gins and 2 buyer locations for data (and <u>potentially voice</u>) transmission. Two-way radio links recently have become economically attractive alternatives to leased telephone lines in some locations and are now being utilized at over 100 gin locations. Both of these approaches are more reliable and less expensive than leased analog lines. Also, personal computers have recently been integrated into the TELCOT communication system allowing farmers to conduct some transactions from their homes, if they desired." (39:39-59)</p>
66. The method of claim 55 wherein the information received from a seller comprises a verbal description of the item, the verbal description including subjective information supplied by the seller.	<i>See Claim 65 supra.</i>
67. The method of claim 66 wherein the subjective information includes one or more of following: condition of the item being offered for auction, authenticity of the item being offered for auction or special features of the item being offered for auction.	<i>See Claim 65 supra.</i>
68. The method of claim 55 wherein, prior to supplying information, the seller registers to sell items for auction.	<p>"the use of drafts and wire transfers of funds prior to title transfer" (31:39-40)</p> <p>"An account authorization file 60 is maintained in the centralized computer data base 25. The account authorization file 60 includes information such as loan eligibility of a producer, and default producer payment information. As may be readily apparent to those skilled in the art, other data bases, files, fields, and information can be stored in the data base 25 to further enhance trading within the system. For example, in the event electronic funds</p>

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	<p>transfer is implemented into the system 8, other files and data bases can be added for carrying out such enhanced activity.” (6:58-68)</p> <p>“The gin master file records include fields indicating the gin name and address, gin code, and the <i>account information for those producers who are customers</i> at the gin and have authorized the electronic trading of their cotton.” (5:56-60)</p> <p>“Lastly, a producer payment file 62 is maintained in the data base 25. The producer payment file 62 includes data relative to those producers who authorize their cotton to be traded by or within the system 8. The file 62 includes data for each producer relating to the payment received, payment instructions, payment information, etc.” (7:1-7)</p> <p>“Also, the producer’s account number or other identifying indicia is noted on the ticket which is affixed to the bale.” (17:68-18:33)</p> <p>“It should be noted that initially the owner/producer of the cotton bales has a unique four digit account number” (20:12-14)</p> <p>“TELCOT has put PCCA in the brokerage business. They now provide an efficient and effective means of executing transactions between all the major cotton buyers and sellers.” (28:64-68)</p> <p><i>Statements made by the BPAI during appeal of MercExchange’s ‘820 application confirm that:</i></p> <p>“From our review of Lindsey, we find that Lindsey discloses (col. 6, lines 65-68) implementing the use of electronic fund transfer, and the use of ‘drafts and wire transfers of funds prior to title transfer.’ (col. 31, lines 39 and 40). From these teachings of Lindsey, we agree with the examiner (answer, page 22) that ‘[t]hose of ordinary skill in the art would have readily appreciated that electronic funds transfer in a trading system requires both the buyers and sellers have accounts and that the buyer’s account be debited for the purchase made.’ We find this to be supported by the disclosure in Lindsey that ‘in the event electronic funds transfer is implemented into the system 8, other files and databases can be added for carrying out such enhanced activity.’” Exh. S at 24-25.</p>
69. The method of claim 68 wherein registering the seller comprises receiving identity information from the seller.	See Claim 68 <i>supra</i> .
70. The method of claim 68 wherein registering the seller comprises receiving financial information from the seller.	See Claim 68 <i>supra</i> .
71. The method of claim 68 wherein	“the use of drafts and wire transfers of funds prior to title

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<p>registering the seller comprises opening a debit / credit account for the seller.</p>	<p>transfer” (31:39-40)</p> <p>“If either owner or purchaser or both are financing their purchases of the commodity through a bank, then approval of this type of transaction may be required by the bank. In this event, a terminal similar to terminal 18 would be installed at the bank, and bank approval would be required by the mainframe computer 10 before the transaction could be completed.” (24:26-32)</p> <p>“The gin master file records include fields indicating the gin name and address, gin code, and the <i>account information for those producers who are customers</i> at the gin and have authorized the electronic trading of their cotton.” (5:56-60)</p> <p>“An account authorization file 60 is maintained in the centralized computer data base 25. The account authorization file 60 includes information such as loan eligibility of a producer, and default producer payment information. As may be readily apparent to those skilled in the art, other data bases, files, fields, and information can be stored in the data base 25 to further enhance trading within the system. For example, in the event electronic funds transfer is implemented into the system 8, other files and data bases can be added for carrying out such enhanced activity.” (6:58-68)</p> <p>“Lastly, a producer payment file 62 is maintained in the data base 25. The producer payment file 62 includes data relative to those producers who authorize their cotton to be traded by or within the system 8. The file 62 includes data for each producer relating to the payment received, payment instructions, payment information, etc.” (7:1-7)</p> <p>“Also, the producer’s account number or other identifying indicia is noted on the ticket which is affixed to the bale.” (17:68-18:33)</p> <p>“It should be noted that initially the owner/producer of the cotton bales has a unique four digit account number” (20:12-14)</p> <p>“Every TELCOT transaction generates a commission for PCCA. On a typical day, TELCOT processes approximately 115,000 on-line transactions.” (28:52-54)</p> <p>“TELCOT has put PCCA in the brokerage business. They now provide an efficient and effective means of executing transactions between all the major cotton buyers and sellers.” (28:64-68)</p> <p><i>Statements made by the BPAI during appeal of MercExchange’s ‘820 application confirm that:</i></p> <p>“From our review of Lindsey, we find that Lindsey discloses (col. 6, lines 65-68) implementing the use of electronic fund transfer, and the use of ‘drafts and wire transfers of funds prior to title transfer.’ (col. 31, lines 39 and 40). From these teachings of Lindsey, we agree with the examiner (answer,</p>

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	<p>page 22) that "[t]hose of ordinary skill in the art would have readily appreciated that electronic funds transfer in a trading system requires both the buyers and sellers have accounts and that the buyer's account be debited for the purchase made.' We find this to be supported by the disclosure in Lindsey that 'in the event electronic funds transfer is implemented into the system 8, other files and databases can be added for carrying out such enhanced activity.'" Exh. S at 24-25.</p> <p>"[W]e find that Lindsey discloses (col. 28, lines 52-55) that '[e]very TELCOT transaction generates a commission for PCCA. On a typical day, TELCOT processed approximately 115,000 on-line transactions.' From the disclosure of Lindsey that every transaction generates a commission, we find that the computerized trading system will inherently deduct the commission from the funds due to the seller." (Exh. S at 28-29)</p>
72. The method of claim 71 further comprising debiting the seller's account by an amount corresponding to a seller's fee.	<i>See Claim 71 supra.</i>
73. The method of claim 71 further comprising crediting the seller's account by an amount corresponding to the purchase price of an item sold at auction.	<i>See Claim 71 supra.</i>
74. The method of claim 55 wherein the seller logs into the auction computer system from a computing platform in order to provide information about an item to be auctioned.	<p>"a gin clerk communicates via a terminal with a centralized data base pertinent data about the bale of cotton. The gin clerk enters into the centralized data base information that is unique to each bale, including a gin code identifying the particular gin, a gin tag identifying the particular bale, and data indicating whether or not the producer desires to assign either electronic title to the bale, or a warehouse receipt type of title." (2:26-33).</p> <p>"Each gin terminal 14 comprises an IBM PS/2 Model 70 personal computer with a telephone line modem (not shown) for communicating cotton bale data to a data base storage unit 25 of the mainframe computer 10." (4:5-9)</p> <p>"In the preferred form, such information is entered into the terminal 14 in a format according to a programmed screen menu. For each bale produced by the particular gin 9, such information is transmitted from the gin terminal 14, via the network 12, to the mainframe computer 10." (18:33-39)</p> <p>"Also, personal computers have recently been integrated into the TELCOT communication system allowing farmers to conduct some transactions from their homes, if they desired." (39:56-59).</p>

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75. The method of claim 74 wherein the seller's computing platform comprises a personal computer, a workstation, a cable set-top device, a video game system or a portable computing device.	<i>See Claim 74 supra.</i>
76. The method of claim 55 wherein an auction participant logs into the auction computer system from a computing platform in order to browse or bid on items offered for auction.	<i>See Claim 74 supra.</i>
77. The method of claim 76 wherein the auction participant's computing platform comprises a personal computer, a workstation, a cable set-top device, a video game system or a portable computing device.	<i>See Claim 74 supra.</i>
78. The method of claim 55 wherein the seller-provided information includes a reserve price for the item to be auctioned.	<i>See Claim 18 supra.</i>
79. The method of claim 78 wherein the seller's reserve price is not revealed to auction participants.	<p><i>Lindsey discloses the use of a reserve price. See Claim 18 supra. While whether the reserve price is revealed to bidders is not explicitly discussed, one of ordinary skill in the art in 1995 would have been motivated to not reveal the reserve price, as it was well-known in the art that the use of a confidential reserve price protected a seller's interests.</i></p> <p>---- SECONDARY REFERENCES / KNOWLEDGE IN THE ART ----</p> <p><i>See, e.g., Exh. A, No. 18 at 97-98 ("The live-auction process works well when combined with the use of a reserve price establishing the minimum amount acceptable to the seller. This device protects the seller from having to 'give away' assets at unrealistically low bids, increasing the average selling price to all sellers over time.").</i></p> <p><i>See, e.g., http://www.auctioneerscanada.com/auctglos.html ("Auction with Reserve: An auction in which the seller reserves the right to accept or decline any and all bids. A minimum acceptable price may or may not be disclosed.")</i></p> <p><i>See, e.g., http://www.auctioneerscanada.com/auctglos.html ("Auction with Reserve: An auction in which the seller reserves the right to accept or decline any and all bids. A minimum acceptable price may or may not be disclosed.")</i></p>
80. The method of claim 55 wherein prior to bidding on an item an auction participant browses the predetermined list of categories to search for desired items on which to place bids.	<p><i>"The gin clerk can list a lot or query the system for them." (31:5-6)</i></p> <p><i>"TELCOT also allows the cotton buyer to specify only the cotton which he is interested in buying. Each buyer can establish his own individual criteria; e.g., to limit price, specify and quality limits, define warehouse and/or gin location, and crop-year parameters. TELCOT then displays</i></p>

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	<p>only those lots that meet these criteria.” (33:58-64)</p> <p><i>Statements made by the BPAI during appeal of MercExchange’s ‘820 application confirm that:</i></p> <p>“[Lindsey] discloses (col. 4, lines 52-55) that the invention provides coordinated interaction between the various gins, warehouses and buyers to achieve an effective and efficient cotton trading program, and that (col. 30, line 66 through col. 31, line 11) a producer can display all of his lots of cotton with their quality characteristics and quoted market value. Some farmers access the system using their own PCs, while others go to the gin where public PCs are available. The gin clerk can list a lot or query the system for them. At any time, there are approximately 40 buyers on the system. From this disclosure of Lindsey, we find that a prospective buyer can search the system for items to be purchased.” (Exh. S at 10-11)</p>
<p>81. The method of claim 55 wherein the seller ships an item purchased at auction to a destination specified by the purchasing auction participant.</p>	<p><i>Lindsey discloses the shipping of items from seller to buyer. See 25:47-27:21.</i></p>
<p>82. The method of claim 55 wherein the seller-provided information includes an indication from the seller whether the item offered for auction is to be advertised to potential bidders.</p>	<p><i>The Lindsey system contemplated a display of non-auction related information such as “weather forecasts and general news”:</i></p> <p><i>“The TELCOT system also provides a summary of daily activity, access to futures prices for all major commodities, weather forecasts, and general news.” (34:5-7)</i></p> <p><i>One of ordinary skill in the art would be motivated to include advertisements in this information in order to generate revenue for the system. The use of advertisements to generate revenue is a well known method:</i></p> <p>Computer Museum: “The featured item for today ...”</p> <p>Save the Earth (p. 1): “The telecommunications, retail, advertising and other industries are presently investing heavily in online tests and trial services aimed at tapping into what many believe will be a major marketing and sales channel in the near future.”; (p. 2): “The online communications and World Wide Web access services ... are being contributed by ... Global Commerce Link.”; “GCL products and services support interactive sales transaction, marketing, advertising, and customer service applications on the Internet...”</p> <p><i>As a result, it would have been obvious to include advertisements in the Lindsey system.</i></p>
<p>83. The method of claim 82 wherein the advertisement appears on a main web page</p>	<p><i>See Claim 82 supra.</i></p>

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maintained by the auction computer system.	
84. The method of claim 83 wherein the main web page comprises a welcome page.	<i>See Claim 82 supra.</i>
85. The method of claim 55 further comprising notifying an auction participant that a bid by that participant has been accepted.	“C/OFFER STATUS--Several status states are possible including ACTIVE (offer is open); VOID (offer has been withdrawn by the buyer); ACCEPT offer has been accepted); WORKING (gin acknowledges receipt of the Counter Offer and is attempting to locate the producer for consideration).” (34:63-68)
86. The method of claim 55 wherein an auction participant makes electronic payment for an item purchased at auction.	<p>“the use of drafts and wire transfers of funds prior to title transfer” (31:39-40)</p> <p>“An account authorization file 60 is maintained in the centralized computer data base 25. The account authorization file 60 includes information such as loan eligibility of a producer, and default producer payment information. As may be readily apparent to those skilled in the art, other data bases, files, fields, and information can be stored in the data base 25 to further enhance trading within the system. For example, in the event electronic funds transfer is implemented into the system 8, other files and data bases can be added for carrying out such enhanced activity.” (6:58-68)</p> <p>“TELCOT has put PCCA in the brokerage business. They now provide an efficient and effective means of executing transactions between all the major cotton buyers and sellers.” (28:64-68)</p> <p><i>Statements made by the BPAI during appeal of MercExchange’s ‘820 application confirm that:</i></p> <p>“From our review of Lindsey, we find that Lindsey discloses (col. 6, lines 65-68) implementing the use of electronic fund transfer, and the use of ‘drafts and wire transfers of funds prior to title transfer.’ (col. 31, lines 39 and 40). From these teachings of Lindsey, we agree with the examiner (answer, page 22) that ‘[t]hose of ordinary skill in the art would have readily appreciated that electronic funds transfer in a trading system requires both the buyers and sellers have accounts and that the buyer’s account be debited for the purchase made.’ We find this to be supported by the disclosure in Lindsey that ‘in the event electronic funds transfer is implemented into the system 8, other files and databases can be added for carrying out such enhanced activity.’” (Exh. S at 24-25)</p>
87. The method of claim 86 wherein an auction participant makes electronic payment by providing credit card or debit card information.	<i>See Claim 17 supra.</i>

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88. The method of claim 86 wherein an auction participant makes electronic payment by providing electronic funds transfer information	<i>See Claim 86 supra.</i>
89. The method of claim 86 wherein an auction participant makes electronic payment using e-money.	<p><i>Lindsey expressly describes the auction system's desire to "guarantee all transactions" and make sure the sellers receive their funds within 24 hours. (31:32-35). Although Lindsey does not expressly describe e-money payment, the "e-money" had not been conceived of when the Lindsey application was filed in 1991. As explained in section II. F. of this Protest, one skilled in the art would have been motivated to utilize any one of a number of forms of electronic payment (e.g., credit card processing, funds transfer, credit/debit accounts, clearinghouses, e-money) in an electronic auction. As the '014 application correctly concedes, each of these techniques was "well known" by skilled artisans who "understood" how to incorporate any of them in an electronic auction. Indeed, Lindsey provides explicit motivation to include other forms of electronic funds transfer, such as the later developed "e-money."</i></p> <p><i>"An account authorization file 60 is maintained in the centralized computer data base 25. The account authorization file 60 includes information such as loan eligibility of a producer, and default producer payment information. As may be readily apparent to those skilled in the art, other data bases, files, fields, and information can be stored in the data base 25 to further enhance trading within the system. For example, <u>in the event electronic funds transfer is implemented into the system</u> 8, other files and data bases can be added for carrying out such enhanced activity." (6:58-68)</i></p>
90. The method of claim 55 wherein the seller-provided information includes a specified time period for the auction.	<i>See Claim 148 supra.</i>
91. The method of claim 55 wherein the auction process program indicates an opening bid for an item offered for auction.	<i>See Claim 18 supra.</i>
92. The method of claim 55 wherein the auction process program indicates a current bid for an item offered for auction.	<i>See Claim 55 [k] supra.</i>
93. The method of claim 55 wherein presenting the auction to the plurality of auction participants comprises displaying one or more of the following: a verbal description of the item offered for auction, a graphical depiction of the item offered for auction, or bid information relating to the item offered for auction.	<p><i>"The purchaser enters "/BBV" and the sale number on this terminal 18, and the warehouse code and tag of the selected bales are displayed on his screen. By looking at the bales listed on the screen (block 206), the purchaser can verify that the selected bales are in fact the ones that he has agreed to buy, and that the price is as agreed." (23:63-24:1)</i></p> <p><i>"TELCOT also allows the cotton buyer to specify only the</i></p>

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	<p>cotton which he is interested in buying. Each buyer can establish his own individual criteria; e.g., to limit price, specify any quality limits, define warehouse and/or gin location, and crop-year parameters. TELCOT then displays only those lots that meet these criteria.” (33:58-64)</p> <p>“C/OFFER STATUS--Several status states are possible including ACTIVE (offer is open); VOID (offer has been withdrawn by the buyer); ACCEPT offer has been accepted); WORKING (gin acknowledges receipt of the Counter Offer and is attempting to locate the producer for consideration).” (34:63-68)</p>
94. The method of claim 55 wherein presenting the auction to the plurality of auction participants further comprises displaying advertisements to the plurality of users.	<i>See Claim 82 supra.</i>
95. The method of claim 94 wherein the displayed advertisements relate to items offered for auction.	<i>See Claim 82 supra.</i>
96. The method of claim 94 wherein the displayed advertisements relate to goods / services offered by a third party.	<i>See Claim 82 supra.</i>
97. The method of claim 55 wherein the computer system updates the display of the item's information each time a bid higher than the current bid is received.	<i>See Claim 55 [k] supra.</i>
98. The method of claim 55 further comprising obtaining an auction participant's assent to terms of sale before accepting bids from that auction participant.	<p>“A buyer master file 54 is also maintained in the centralized data base 25. A buyer master file record is unique to each buyer associated with the system, including fields having a buyer number and a title flag field. Each buyer record in the file 54 includes a flag field having at least two possible indications, one being that the transaction is to be carried out with an electronic warehouse receipt evidencing title to the particular bale, and the other indication that the transaction is to be carried out with a punched warehouse receipt card, i.e., a documentary type of title.” (6:23-33)</p> <p>“Also, in response to such a request, a menu appears on the buyer's terminal screen indicating information to input to complete a transaction for purchasing one or more bales of cotton, or a block of bales.” (22:28-31)</p> <p>“some or all of the buyers may have previously agreed to carry out cotton trading transactions using the electronic title of the invention, i.e., an electronic warehouse receipt, rather than the card form of title.” (23:1-5)</p>
99. The method of claim 98 wherein the auction participant's assent is supplied via the	<i>See Claims 98 and 11[a] supra.</i>

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Internet.	
190. The method of claim 55 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
191. The method of claim 55 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
192. The method of claim 55 wherein the received auction input comprises an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
193. The method of claim 55 wherein the received auction input consists of an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
194. The method of claim 55 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
195. The method of claim 55 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	<i>See Claim 153 supra.</i>
133. A computer-implemented method of facilitating Internet-based electronic auctions, the method comprising:	<i>See Claim 11 [a] supra.</i>
receiving information from a seller of an item to be auctioned, the information including	<i>See Claim 11 [b] supra.</i>
(i) information identifying the item to be auctioned and designating an item category selected by the seller from a list of item categories, and	<i>See Claim 11 [c] supra.</i>
(ii) input relating to scheduling an auction for the item;	<i>See Claim 11 [d] supra.</i>
storing at least a portion of the received information in a database of information relating to items to be auctioned;	<i>See Claim 43 [b] supra.</i>
mapping at least a portion of the received information stored in the database into a presentation format that includes the identifying information and the item category provided by the seller; displaying the presentation format to a plurality of buyers;	<i>See Claim 11 [e] supra.</i>
based at least in part on the received auction scheduling input, conducting an online auction for the item including receiving bids on the item from one or more of the plurality of buyers; and	<i>See Claim 11 [f] supra.</i>

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terminating the online auction of the item based on a predetermined condition.	<i>See Claim 44 supra.</i>
134. The method of claim 133 further comprising notifying a winning buyer that a bid submitted by the winning buyer was a winning bid.	<i>See Claim 49 [f] supra.</i>
135. The method of claim 133 wherein the information received from the seller identifying the item to be auctioned includes at least one of an item title and an item description.	<i>See Claim 65 supra.</i>
136. The method of claim 135 wherein the item description includes an electronic image of the item.	<i>See Claim 65 supra.</i>
137. The method of claim 133 wherein receiving information from a seller further comprises receiving information designating an item subcategory selected by the seller from among a list of item subcategories.	<i>See Claim 11 [c] supra.</i>
138. The method of claim 133 wherein the predetermined condition based on which the online auction is terminated comprises an occurrence of an auction termination time.	<i>See Claim 44 supra.</i>
139. The method of claim 133 wherein receiving information from a seller further comprises receiving a reserve price for the item to be auctioned.	<i>See Claim 18 supra.</i>
140. The method of claim 139 wherein the predetermined condition based on which the online auction is terminated comprises an occurrence of the reserve price being met.	<i>See Claim 18 supra.</i>
141. The method of claim 134 wherein notifying the winning buyer comprises sending the winning buyer an e-mail message.	<i>Lindsey does not explicitly disclose the use of e-mail. Lindsey does disclose the desire to use improved data transmission methods and enhance the users' experience. See Claim 11[a] discussion supra. As a result, one of ordinary skill in the art would be motivated to include the e-mail notification disclosed in references such as Computer Museum ("bids were made by e-mail ... Bidders were notified as higher bids came in.").</i>
142. The method of claim 133 further comprising notifying the seller of an outcome of the online auction.	<i>See Claim 134 supra.</i>
143. The method of claim 142 wherein notifying the seller comprises sending the seller an e-mail message.	<i>See Claim 141 supra.</i>

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'014 APP. CLAIMS	PRIOR ART
144. The method of claim 143 wherein the seller is notified of the winning buyer's identity.	<p>“[B]uyers unwilling to pay the Firm Offer price can notify ... producers of the price they are willing to pay for a particular lot of cotton already offered for sale.” (32:48-51)</p> <p><i>In addition, one skilled in the art would understand this disclosure to entail notifying the seller of the buyer's identity so the seller would know to whom to ship the item.</i></p>
145. The method of claim 133 wherein receiving information from the seller of the item to be auctioned further comprises receiving input relating to an advertisement for the item.	See Claim 82 <i>supra</i> .
196. The method of claim 133 wherein the received auction scheduling input relates to an auction duration.	See Claim 148 <i>supra</i> .
197. The method of claim 133 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	See Claim 148 <i>supra</i> .
198. The method of claim 133 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.	See Claim 150 <i>supra</i> .
199. The method of claim 133 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.	See Claim 150 <i>supra</i> .
200. The method of claim 133 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	See Claim 150 <i>supra</i> .
201. The method of claim 133 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	See Claim 153 <i>supra</i> .
210. The method of claim 133 wherein the predetermined condition is defined at least in part by the received auction scheduling input.	See Claim 44 <i>supra</i> .
146. A computer-implemented method of facilitating Internet-based electronic auctions, the method comprising:	See Claim 11 [a] <i>supra</i> .
receiving information via the Internet from sellers of items to be auctioned, each seller providing	See Claim 11 [b] <i>supra</i> .
(i) information describing an item to be	See Claim 11 [c] <i>supra</i> .

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‘014 APP. CLAIMS	PRIOR ART
auctioned and designating an item category and an item subcategory selected by the seller from a list of item categories and subcategories, and	
(ii) input relating to scheduling an auction for the item;	<i>See Claim 11 [d] supra.</i>
storing at least a portion of the received information in a database of information relating to items to be auctioned;	<i>See Claim 43 [b] supra.</i>
displaying the list of item categories and subcategories via the Internet to a plurality of potential buyers,	<i>See Claim 11 [e] supra.</i>
each potential buyer being able to browse the item categories and subcategories selectively to search for a desired item offered for auction; and	<i>See Claim 80 supra.</i>
for each item to be auctioned: (i) mapping the received information stored in the database corresponding to the item into a presentation format that includes the identifying information and the item category provided by the item's seller; (ii) displaying the presentation format to a plurality of buyers;	<i>See Claim 11 [e] supra.</i>
(iii) based at least in part of the received auction scheduling input, conducting an online auction for the item	<i>See Claim 11 [f] supra.</i>
including receiving bids on the item from one or more of the plurality of buyers; and	<i>See Claim 11 [g] supra.</i>
(iv) terminating the online auction of the item based on a predetermined condition.	<i>See Claim 21 [b] supra.</i>
202. The method of claim 146 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
203. The method of claim 146 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
204. The method of claim 146 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
205. The method of claim 146 wherein the received auction scheduling input consists of an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
206. The method of claim 146 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>

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207. The method of claim 146 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	<i>See Claim 153 supra.</i>
211. The method of claim 146 wherein the predetermined condition is defined at least in part by the received auction scheduling input.	<i>See Claim 44 supra.</i>
212. A computer-implemented method of facilitating Internet-based auctions, the method comprising:	<i>See Claim 11 [a] supra.</i>
receiving input from a seller of an item to be auctioned, the received input including an identification of the item to be auctioned and	<i>See Claim 11 [b] supra.</i>
input relating to scheduling an auction for the item; and	<i>See Claim 11 [d] supra.</i>
initiating an online auction for the item based at least in part on the auction scheduling input received from the seller.	<i>See Claim 11 [f] supra.</i>
213. The method of claim 212 wherein the received auction scheduling input relates to an auction duration.	<i>See Claim 148 supra.</i>
214. The method of claim 212 wherein the received auction scheduling input relates to one or both of an auction starting time and an auction ending time.	<i>See Claim 148 supra.</i>
215. The method of claim 212 wherein the received auction scheduling input comprises an indication that the auction is to be started immediately.	<i>See Claim 150 supra.</i>
216. The method of claim 212 wherein the received auction scheduling input consists of an indication to be started immediately.	<i>See Claim 150 supra.</i>
217. The method of claim 212 wherein the received auction scheduling input comprises an indication that the auction is to be invoked by the seller manually.	<i>See Claim 150 supra.</i>
218. The method of claim 212 wherein the received auction scheduling input comprises an indication that the auction is to be initiated at a future time.	<i>See Claim 153 supra.</i>

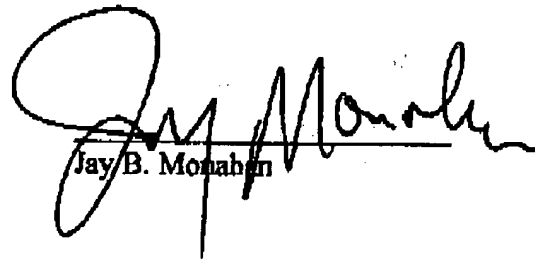
Certificate of Service

Certificate of Service

I hereby certify, pursuant to 37 C.F.R. §§ 1.510(b)(5) and 1.33(c), that on this 18th day of June, 2004, I caused a true and correct copy of the foregoing *PROTEST UNDER 37 C.F.R. 1.291(a)* to be served via overnight mail to the following:

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